

DIARY

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April 22, 1943
9:02 a.m.

HMJr: Hello.

Ted
Gamble: Good morning, sir.

HMJr: Hello, Ted.

G: How are you, Mr. Secretary?

HMJr: I'm all right. I've missed you.

G: Well, I've missed being there.

HMJr: I haven't had a chance to talk with Harold so I don't - he's here sitting there with me. So is Mrs. Klotz.

G: Yes.

HMJr: So do you want to tell me very briefly what - what the plan is?

G: Yes, sir. The plan is on - I'll - I'll cover the Sunday plan. The plan is to have a parade at four o'clock in the afternoon.

HMJr: On Sunday?

G: On Sunday. Now this parade, I might say, has been cleared with the ministerial association.

HMJr: It has?

G: It's to be of a nature that won't - it's not to be a ballyhoo parade. It's to be a parade of Service groups.

HMJr: I see.

G: There's to be no civilian entries in it at all.

HMJr: I see.

G: It's to have representatives from the WAAC's at Des Moines, from the WAVES at the nearby fort here, the pre-flight school at Des Moines, and the Navy pre-flight school just out of Cedar Rapids.

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HMJr: Yeah.

G: Bands from two of these groups, and bands and drum corps from the American Legion and from the schools here in Cedar Rapids.

HMJr: Yeah.

G: There's to be nothing but a demonstration of the training groups that are in and around Cedar Rapids.

HMJr: Good. Have you....

G: So it'll be a very natural thing.

HMJr: You've cleared it with the ministers?

G: Yes, sir.

HMJr: I see. Has the rabbi approved?

G: Well, I haven't talked to the rabbi.

HMJr: You'd better talk to him. (Laughs)

G: (Laughs) All right, sir. The parade would start at four o'clock in the afternoon....

HMJr: Yeah.

G:and would finish at the public auditorium.

HMJr: And there's always two rabbis where there's one, you know.

G: All right, sir. (Laughs)

HMJr: I mean there's always one orthodox and one liberal.

G: One liberal, eh?

HMJr: And they never agree on anything. (Laughs)

G: (Laughs) Well, I'd find someone to compromise.

HMJr: (Talks aside: Is that right?) Go ahead.

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G: The parade would finish at five o'clock in the afternoon - five-fifteen in front of the public auditorium.

HMJr: Yeah.

G: The public auditorium is located on a sort of an island here. It's right in the heart of town, but it's....

HMJr: I see.

G:there's a very fine parade ground, so to speak, in front of it.

HMJr: Yeah.

G: The parade would come by there and after turning at the end of the auditorium would disband.

HMJr: Yes.

G: Yourself and the Governor and the Mayor and three or four other folks would serve as a sort of an informal parade reviewing committee on the steps of the auditorium.

HMJr: I see.

G: As the parade disbanded in front of the auditorium, certain units of it would go into the auditorium....

HMJr: Yes.

G:and the - all of the workers on pay-rolls here, representatives from every plant in town....

HMJr: Yeah.

G:would have been invited to be in the auditorium, at 5:15 o'clock for about a 45-minute show prior to the broadcast.

HMJr: I see.

G: Now on this show there would be nothing more than some of the musical groups from these organizations that I've just listed. There would be a

(cont.)

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G: short statement by the State Chairman out here,
(cont.) a former president of Grinnell College, Mr. Nollen
....

HMJr: Yes.

G:a statement by Miss Newcomb, the Woman's
State Chairman; by the local mayor of Cedar
Rapids, Blair Hahn.

HMJr: Who - who - Miss Newcomb?

G: Miss Newcomb....

HMJr: Yeah.

G: Louise Newcomb.

HMJr: Yeah.

G: A statement by the mayor of Cedar Rapids, Mayor
Hahn, and Governor Hickenlooper, and you would
answer in a very short statement, and it can
be informal of five minutes. The tenor of
their remarks would be to the effect that Cedar
Rapids had done a good job; that they were
aware of - of and had answered every call that
you had made; that as you went into the last
week of this drive, that they would intensify
their activities....

HMJr: Yeah.

G:and that their people here could be counted
upon to continue to do the kind of a job that
they had done and to do even more....

HMJr: Yeah.

G:in the face of the gravity of the war and so
forth.

HMJr: Yes.

G: Now that's the - we had in mind also to use, it
being Easter Sunday, a talk by Monsignor Malloy.
He has not been invited yet, but he is the best
man in this part of the country. He's a very
good speaker, and we had in mind to have him

(cont.)

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G: (cont.) talk very briefly about the spiritual and moral lift that this War Bond program has brought to the people of this country.

HMJr: Where does he live?

G: He lives here in Cedar Rapids.

HMJr: Well, is - is that a good choice?

G: They tell me that he -- and that's the reason he hasn't been invited because I was going to interview him during the day -- but they tell me that he's one of the best people in this part of the country. They have a bishop over in Dubuque, but they say he's the best man, best speaker, a very forceful person, and it should be a Cedar Rapids man. It should be someone who can get up and say in a very sincere way what this War Bond program has meant to the people in this community.

HMJr: Well, I was just thinking of the other churches - I mean....

G: Well, that you'd run into no matter how you - who you selected.

HMJr: Well, why - why select one, where there's so many denominations?

G: Well, that's true. You - you'd - but you - it's a Easter Sunday, and I know while we don't need to have any - while we don't need to turn this meeting over to a prayer meeting, I think that we do need to have....

HMJr: Well, now I've got a - if you don't mind, I got a better suggestion.

G: Fine.

HMJr: And in this way you can get over the question of choosing one.

G: Fine.

HMJr: Get an Army chaplain.

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G: Yes. Well, we can do that.

HMJr: See?

G: Yes.

HMJr: That's what I would suggest.

G: Yes.

HMJr: I - I'd get an Army chaplain.

G: Fine.

HMJr: And - you haven't invited this man, have....

G: No, we have not invited him.

HMJr: Well, my suggestion would be to get some - an Army chaplain....

G: Fine.

HMJr:and, if necessary, get two.

G: Yes.

HMJr: But you could put it up to the Army, and then if there's anything wrong, why - because I think if you want a minister I - I'd get a man in uniform.

G: Yes.

HMJr: What do you think of that?

G: Well, I like it if we can get a man in uniform that's from this part of the country, because I think this should be a Cedar Rapids show from....

HMJr: Yeah.

G:A to Z.

HMJr: I - just - just hold on. Wait a minute, will you?

G: Yes.

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HMJr: What Harold suggested is that if you do pick a civilian clergyman, then it ought to be cleared with the other clergymen in town.

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

HMJr: Because just picking one....

G: Well, it opens you for criticism sometimes.

HMJr: Yeah.

G: Well....

HMJr: I'd almost rather have none. I mean unless - unless the local - if they have an association. Now they do here in Washington.

G: They do have here.

HMJr: What?

G: They do have here too.

HMJr: Well, then I - I'd put it up to them, and I'd rather have three or four and give them each two minutes.

G: Fine.

HMJr: See?

G: Well, I - I'm sure that we'd have no difficulty clearing any one of these people. This is one of the nicest towns I've ever been in. I've never....

HMJr: Well, I would put it up to the local association.

G: Yes.

HMJr: See?

G: Yes.

HMJr: I mean local association of ministers.

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G: I understand. Well, they have....

HMJr: I have no - I mean I'd be delighted to have the Monsignor....

G: Fine.

HMJr:but I - I just - knowing....

G: Well, there's jealousies and rivalries and I know that.

HMJr: Yeah.

G: And we haven't cleared that so we're not in any embarrassing position.

HMJr: Well, I'd clear it with the - with the association of ministers.

G: Fine. Now in addition to this Mr. Graves is trying to get Mr. Zanzig here for us.

HMJr: Yes.

G: Because it's a perfect spot for some community singing.

HMJr: Well, why can't he get him there?

G: Well, he's - well, I say he's trying to get him here.

HMJr: Oh.

G: He was on the coast and....

HMJr: Well, so were you.

G:and they were trying to get him here in time. (Laughs)

HMJr: Now what else?

G: Now that means that on Sunday, in addition to your broadcast at 6:30....

HMJr: Yeah.

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G:that you'd be called upon at about five o'clock....

HMJr: That's all right.

G:to see a part of this parade, and that about 5:40 or, in other words, nearly an hour ahead of your broadcast, you'd be asked to speak five minutes or three minutes or four minutes informally to these people.

HMJr: It's all right with me. Of course, it means I've got to be there when the parade begins, but the radio people have been impressing on me that I must keep Sunday afternoon for rehearsal but we....

G: Yes.

HMJr:we can rehearse Sunday morning.

G: Now the radio people were here last night.

HMJr: Yes.

G: Mr. Levy and Mr. Everett got in last night, and I went over this program with them.

HMJr: Yes.

G: They liked the idea.

HMJr: They did?

G: They think that it gives some substance to our program here, and that, of course, is the reason for doing it all at one time instead of separating it....

HMJr: Right.

G:is because it makes these folks in Cedar Rapids feel that there's something more than just a broadcast going on.

HMJr: Right.

G: And we have worked it out so that it doesn't interfere in any way with them.

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HMJr: Yeah.

G: This is a flexible program and we're going to keep it flexible so that it's not a schedule-disturber.

HMJr: Now you....

G: Yes, sir.

HMJr:say it's a nice town.

G: Sir?

HMJr: It's a nice town.

G: It's one of the nicest towns I've ever been in. You've never seen people so cooperative and so anxious to get a word about you and about the Treasury and about the War Bonds into the papers and on the air. They had a nice radio program here last night of a half an hour, and they used this program as a device to announce your coming and to say something about the program on Sunday.

HMJr: How - how about the local newspapers?

G: Well, the local newspaper - there's just one newspaper. It's the Cedar Rapids Gazette....

HMJr: Yes.

G:and they just have assigned one man and a photographer to do nothing but go to work and generate interest in this meeting on Sunday.

HMJr: How is the editor?

G: The editor is - happens to be in New York. His name is Marshall. He's been - the Newspaper Publishers Association is having a convention there.

HMJr: Will he be back?

G: He will apparently not be back, but he has - Callahan - Callahan's knew this and they contacted him before they sent Shead out here.

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HMJr: Yeah.

G: And he just gave him a carte blanche on the paper.

HMJr: I see. He....

G: Now there's another little item or two that I might ask you about....

HMJr: Go ahead.

G:so long as I have you on the phone.

HMJr: Yes.

G: Saturday noon the War Bond folks and the - some of the Victory Fund workers would like to have a small luncheon. There's to be no speech-making, be very informal....

HMJr: Saturday when?

G: They just wanted a chance to visit with you.

HMJr: Noon?

G: Saturday noon.

HMJr: The - that's all right.

G: It's - it's - it's not to be anything that will disturb you in any way. It's just a small, informal luncheon of about 25-30 people.

HMJr: Just as....

G: Just their leaders.

HMJr: Just as long as I have rye-crisp.

G: All right, sir. (Laughs) I'll check on that for you. Now Saturday night then - we've already put a pencil through this. Mr. Graves didn't think that this was anything that we should do, and I agree - quite agree with him and I discussed it with him in advance. The Chamber of Commerce, the business people here wanted to have a dinner for you, and we've discussed it and decided....

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HMJr: I think that's a little tough.

G: ?

HMJr: I - I think that's a little tough.

G: Yes, it is a little tough, but I did want you to know they thought enough of you to....

HMJr: Yeah.

G:come forward and - and invite you and want to prepare this. Now I've arranged a visit or two around the town for you on - so that you can see the town and see some of the war plants....

HMJr: Good.

G:that they have out here.

HMJr: Now have they - have they found any people yet - any good people to go on the air?

G: They found some very good people.

HMJr: They have.

G: And they met with them last night and Everett told me that they were quite pleased with it, that they hadn't found freaks but they had found people that they thought were going to be....

HMJr: Good.

G:just what they wanted for the program.

HMJr: There'll be both men and women?

G: Yes.

HMJr: All right.

G: Now I haven't concerned myself with that because I've - when I got here yesterday, I went to work on this but I will....

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HMJr: Yeah.

G:during the day find out what they have.

HMJr: Do. Go on.

G: Now one other - this matter. I thought on Sunday morning if you had a few minutes you might want to take a little drive around this country here.

HMJr: I do.

G: And they have a fellow out here. You may know of him. His name is Ray Anderson.

HMJr: No.

G: He's the agricultural - the farm editor of the Cedar Rapids Gazette.

HMJr: Oh, yeah.

G: They tell me he's one of the best known farm editors in the country....

HMJr: Yeah.

G:and he's not a young man, and I thought you might like to visit a farm or two with him.

HMJr: I would very much, always keeping in mind that these radio people have first call on me for rehearsal.

G: Yes. Well, they - they - I've given them that im.. - that understanding. They know that.

HMJr: Yeah. Now that sounds - I'd like that.

G: Now there are several very interesting farms within a very short distance of Cedar Rapids, and I thought you might want to see them.

HMJr: I'd love that.

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G: All right, sir. Well, that is tentatively everything we've done up to now.

HMJr: Yes. Now wait a minute. He says - you've got a conference - I mean to meet the press?

G: Yes, at eleven o'clock on Saturday morning.

HMJr: That's all right.

G: That's also flexible because of your rehearsal....

HMJr: That's all right.

G:problem.

HMJr: Now there's something else I want to ask you. Oh....

(Remainder of conversation not recorded.)

April 22, 1943
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. Sullivan
Mr. Graves
Mr. Buffington
Mr. Gaston
Mr. Thompson
Mr. Blough
Mr. White
Mr. Odegard
Mr. Schwarz
Mr. Haas
Mr. Robbins
Mr. Paul
Mrs. Klotz

H.M.JR: John, if you would have a talk with Harold Graves afterwards, he could tell you what is going on at Cedar Rapids.

MR. SULLIVAN: Yes, sir.

H.M.JR: The thing has shifted considerably, so I would suggest that you and he get together.

MR. GRAVES: By the way, there is one thing I didn't tell you this morning. I should have said the people out there also are extending invitations to all the Iowa delegation and the Senators from Iowa.

MR. SULLIVAN: And the governor.

H.M.JR: He is going to be there. I don't have to do anything, they say. I never have; it is the other way around. He should invite me. I can't invite the governor to come to Cedar Rapids.

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MR. SULLIVAN: It is a War Bond rally, isn't it?

MR. GRAVES: Ted has that. The local people are going to give the invitations.

H.M.JR: The reason I asked you people to get together was Norman and I started to talk about this question of exemptions, and I only have a partial list. The list is much too big. As a matter of fact, the way the thing stands now - Thompson and I were going over the list last night - there are no cases right now because these men are in 3-A.

MR. THOMPSON: Three A and 3-B.

H.M.JR: The ones in 3-A and 3-B aren't a problem.

MR. THOMPSON: I checked all of the people on Harry White's list and they are all 3-A and 3-B, also. I don't know of any immediate problem. If they are getting 1-A for call, we will be up to the point of deciding what to do about it.

H.M.JR: Does anybody in this room have a man right now working for him that he thinks is absolutely necessary, who is bothered by the draft at this moment?

MR. PAUL: I think the problem is more immediate than that analysis would indicate, because these men, if they are not going to get a clearance they want to get a commission.

H.M.JR: Can they get commissions?

MR. PAUL: Yes, they can certainly get it in some branches if they are not immediately--

H.M.JR: Have you given a list?

MR. PAUL: I have a list, yes. I have a list from everybody except the Bureau and that is coming over this morning; not a very large list.

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(Mr. Odegard entered the conference.)

H.M.JR: Well, will you give it to Norman? I think one thing which we haven't done before, which we ought to do is - somebody sent in a name of a man who has been in the Treasury four months and he is thirty years old. I think it is ridiculous.

MR. THOMPSON: That is Mr. Wahrhaftig in Surrey's office.

MR. PAUL: He was here four months before, but he was a special expert - the only one we could find on the sales tax.

H.M.JR: Well, how can I use him as an example, go to the President of the United States - that is what I have got to do - and say, "Here is a man who is thirty years old; he has been with the Treasury four months and he is indispensable." I mean, there is no use putting things like that up to me. That is the purpose of this meeting. You can throw them at me and if I don't like it I will throw it back at you.

MR. PAUL: The only case - we are not interested in that man. He is the only one we have been able to find.

H.M.JR: You had better get yourselves another one.

MR. BLOUGH: In that case I think it is fair to say, the only interest in that man - he isn't in my division, but I know about the case - is to take through the tax bill this summer. It is a temporary one; it isn't a permanent request at all.

H.M.JR: Has he any children?

MR. BLOUGH: I don't know anything about his family status, but he is just - on a particular subject, he is the only specialist we can get.

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MR. THOMPSON: He has no children. He is not even married.

H.M.JR: He is not even married. The purpose of this meeting is for you people to draw attention - find out what I will or won't do. I will do nothing in that man's case. He is thirty and he is single.

MR. BELL: You could ask for three months, in that case, as long as he is going through the tax bill and he has been in on it. If he wants to get a commission, he can get one and get the commission deferred until after the tax bill. He has that leeway.

MR. THOMPSON: I don't think he is interested in a commission. It is just a question of being drafted or staying here and finishing up sales tax work. Surrey says six months will be required.

H.M.JR: Well, my recommendation is that you had better try to get either an older man or a woman.

MR. PAUL: There just isn't anybody. We scoured the country. We brought him from California.

H.M.JR: You will have to look some more, Paul, because I won't do anything on that.

MR. BLOUGH: It just means that we don't get that particular job done because you can't do anything to train a man in the time we have.

H.M.JR: You can't tell me that out of a hundred and thirty-five million people, only one person knows something about the sales tax.

MR. BLOUGH: I didn't mean to suggest that. But with the tax bill upon us, and a new man to be trained from the ground up, I don't think it is possible.

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H.M.JR: I still say, in the whole United States there ought to be at least two people. I have got to take all of this personally. I mean when Martha Strayer comes in to see me, or somebody else - or I go on the Hill - I mean, nobody in the room goes - I go. If I seem positive it is just because that is the way I feel. But the purpose is to have them throw them at me; then you know, "Well, Morgenthau won't do anything for this person," which means you have got to scratch for somebody else.

MR. PAUL: We understand your position, though, we are just telling you.

H.M.JR: I am asking to be told.

MR. PAUL: We are not going to be able to replace this man on the tax bills. The sales tax aspect is going to suffer.

H.M.JR: You had better send out an S-O-S to all the universities and tax associations and see if there isn't somebody.

MR. PAUL: That is what we have been doing for about six months.

H.M.JR: How about Miss Newcomer?

MR. BLOUGH: This is a lawyer.

H.M.JR: Well, start training somebody.

MR. PAUL: You don't realize how ignorant the lawyers of the United States are. (Laughter)

H.M.JR: I will take your word for it, Randolph. (Laughter) Anyway, that is a good case to talk about and let you know.

Now, what else has somebody got?

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MR. PAUL: I have got cases here but I don't know whether you want names.

H.M.JR: I want them to go in to Norman. Harry was very good. He got his own names in and Pehle's.

MR. WHITE: I got Luxford's in, too.

MR. PAUL: I got Luxford's, too; I hope we agree, Harry. (Laughter)

MR. WHITE: The Legal Division, Foreign Funds, and mine. I assume that the others will take care of themselves.

H.M.JR: We have got yours.

MR. WHITE: Your decision is not wholly clear. I was under the impression that you had suggested or you had asked for some suggestions on the grounds that the Treasury was about to either enunciate a policy or indicate the extent to which it subscribes to a policy which has already been enunciated by the Manpower Commission; namely, certain key men in Government departments are either going to be exempted or a quite different thing. They might be put into uniform and detailed back.

If I understand, as far as I have heard this morning, you are going to consider only cases that are 1-A.

H.M.JR: No. I got off to a bad start largely due to the list that you sent me. Because I was talking about maybe a half a dozen to a dozen at the most for the whole Treasury - I would be willing to go to the President of the United States because I have talked to him, and this is very much in the room, and I don't want it, under any circumstances, to get out - at the most a dozen people out of seventy-five thousand people in the Treasury, and ask him, because he said he would do this - he would commission these people and detail them back here. But the list that I got doesn't conform because it is so big, and they are cases that I just can't go to the President with.

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That is why I called the meeting, using again this thirty-year-old fellow. I don't think that the people understood, who sent the lists in, what I wanted. The most I would go would be twelve people and that has to go for the whole Treasury.

MR. WHITE: I think, then, if that is what your immediate interest is, then certainly--

H.M.JR: May I interrupt you?

MR. WHITE: The heads of the divisions would want to include somebody in their list. It is a question of trimming it down to the minimum to suit your final number.

Now, if you set a figure, for example, of twelve for the whole Treasury, I imagine the way that would end up would be by being certainly not more than one from my division out of proper allocation, maybe one or two from the Legal Division, maybe one or so from John Pehle's division, and so on. Then you would get your twelve.

H.M.JR: What I had in mind, for instance, was take a man like John Pehle - yes, I mean I would be willing to ask for him.

MR. PAUL: What about Surrey?

H.M.JR: Surrey, Tickton, Lindow, Bernstein--

MR. WHITE: These men are over thirty-seven - thirty-eight.

H.M.JR: ...and Heffelfinger - I want to give you people an idea.

MR. BLOUGH: Is the thirty-eight-year maximum going to be lived up to or is that going to have to be shifted one of these days so that the whole thing is re-opened?

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H.M.JR: It is apt to be. I think this, to answer you - and I have no inside information - if the war lasts for a couple of years, and I think we ought to plan on it - then if we are wrong that is a blessing, but if we plan on it then we won't get caught off base - I think it will happen just like every other country, that the age limit will have to be raised just the way it was in the World War I. The French kept raising it and finally took men of fifty in the trenches, or close to it.

MR. PAUL: I think more than that.

H.M.JR: I mean in World War I.

MR. PAUL: I think they went above fifty.

MR. ODEGARD: Not in trenches.

H.M.JR: I think they did. Anyway, I think they used close to fifty in the trenches.

MR. ODEGARD: My recollection was forty-eight, Mr. Secretary. I am not sure.

H.M.JR: I said close.

MR. BLOUGH: Did you have in mind the number of, say, twelve below thirty-eight, or including everyone up to whatever the age limit?

H.M.JR: No, I want to take care of the present situation. Then, if the age limit is lifted, then that would be another story. But I want - what I would like to do is to take care of the situation, say, if possible, for the rest of this calendar year.

MR. PAUL: Practically speaking, that is men below thirty-eight, who are not classified as 4-F.

H.M.JR: That is right. Now, mind you, I spoke to the President. He said yes, but he may change his mind. But

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I would like to get this list and be as fair as possible and then go to him. Does that answer you, Roy?

MR. BLOUGH: It answers me to this extent. What you are talking about now is people under thirty-eight, because that limit has not yet been touched, and the people who would likely be called this year, which means, as Mr. Paul has said, everybody who isn't in 4-F would automatically go there, and possibly some in 4-F, and who would be reclassified out of it in order to take limited service jobs.

H.M.JR: Yes, that is right. I mean, I would like to get these people so their minds can be made easy and they can feel comfortable and stop worrying and have their families stop worrying. It is a worry for them. It gets down to - I think also I would be greatly influenced by the number of years that a person has been with the Treasury. I mean, I am thinking in terms of the people that have been with the Treasury a minimum of three years, I would say. It is pretty hard to make a case where a person is indispensable who hasn't been with the Treasury three years. Don't you think so, Herbert?

MR. GASTON: Yes, I think so.

H.M.JR: I think every one of these people I mentioned have been in the Treasury at least three years.

MR. WHITE: I don't think Bernstein has.

H.M.JR: But you say Bernstein is over thirty-eight.

MR. THOMPSON: Over thirty-eight and 4-F, now.

MR. WHITE: I didn't think of him--

H.M.JR: Well, now, with that in mind, why not let's say this - say everybody submit three names, and then Gaston and Thompson - who else is on that committee?

MR. THOMPSON: Ted Wilson.

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H.M.JR: ...Ted Wilson, and I will sit down and be as fair as we know how to be.

MR. WHITE: All right. That in itself is a complete task. There is a separate consideration that I don't know whether you are raising or not, but certainly it exists in the minds of a large number of the men, and that is what is the policy of the Treasury going to be with respect to the question of key men as defined by the Manpower Commission, which is quite distinct from this suggestion of yours.

Now, either you don't want to take that up at all, wait for some future time, or you do want to take it up and make some preliminary decision on the matter because that relates to the statement by the Manpower Commission, a recognition of the fact that there are what they call key men in Government posts whom they are going to ask for deferment - or whom they should legitimately be asked for deferment. Not put them in uniform, but ask for deferment.

MR. BELL: Without any action on the part of the President - all by the Manpower Commission?

MR. HAAS: It is a classification recognizing that situation, Harry.

MR. GASTON: I think we are talking here about the same group of men. I think it is a question of the alternative methods of treatment.

I, myself, would prefer to keep this list, as the Secretary has suggested, down to the very minimum and to do it through the machinery that has been set up. That is, to ask to designate them as key men and ask for their deferment in the regular way, rather than to commission them and detail them back. But I think we are really talking about the same group of men.

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H.M.JR: You would rather use that technique?

MR. GASTON: Yes. It has been set up as a result of recommendations by a committee which the President appointed to investigate the matter.

MR. WHITE: And do you feel that under that general approach, without considering the merits of it, because I didn't think we were going into that, but merely considering whether the Treasury is in line with the stated policy - do you feel that in the whole Treasury there would be only about a dozen key men?

MR. GASTON: I think that the Secretary wants to pursue a much more drastic policy, and I think that it is proper to pursue a much more drastic policy than other departments are pursuing.

MR. WHITE: Again if the qualification is that the organization can function only with the greatest difficulty without a man, I can see that Pehle would fit that classification. I don't have any such classification. My division would suffer through the loss of a half a dozen men, but we could continue to operate without any one - including myself--

H.M.JR: I ask everybody here to give me their three most important men who are of draft age, that is, under thirty-eight.

MR. BELL: Under Herbert's interpretation, then, the bureau heads cannot go to the Manpower Commission and get a man classified under the occupational classification.

MR. GASTON: Not without coming through this committee in the Treasury anyway.

MR. BELL: Under your interpretation--

H.M.JR: They never could, Dan. I have personally passed on every single deferment request of the Treasury. Isn't that right?

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MR. THOMPSON: Yes.

H.M.JR: Except the time I was away and you passed on a couple.

MR. BELL: Were they wrong?

H.M.JR: Yes. Remember?

MR. BELL: I didn't give anybody over three months or six months.

H.M.JR: Yes, but - anyway, it wasn't very important, but there were a couple. Do you remember, Norman? There were a couple, weren't there?

MR. THOMPSON: Yes.

H.M.JR: I want to say this, that I think the Treasury Department has been about one year ahead of this game on this question of deferment, and so far each committee that is set up comes gradually closer and closer to what the Treasury's position was a year ago. As you all know, this is something I feel very deeply about. Now, for instance, one of the things which is going to be done and is going to hurt a lot of departments and hurt the whole Administration, in the light of the country is, there have been a great many people deferred by their local boards without Washington asking for them. The principal one on that is FBI.

Under this new regulation, the department has to - well, the request has gone out to all local boards to turn in the names by May 15 of people who haven't departmental--

MR. THOMPSON: That is required under the new law.

MR. GASTON: To give no occupational deferment to Federal employees except on the direct request of the department itself.

H.M.JR: I think again, very much in the room, that it is going to hurt the Department of Justice terribly. Here is a department with the name "Justice," and the men that are going to be turned up under this thing - I think it is going to be terrible and we will all suffer

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under it because they don't distinguish between the Department of Justice or Treasury, or any other thing. It all gets back to the so-called bureaucrats and safe jobs in Washington, and all the rest of it.

I am going to continue to be more careful than the prescribed law calls for; I believe in it. There are going to be an awful lot of people turned up, aren't there?

MR. THOMPSON: Yes, I think over a hundred in the Treasury.

MR. GASTON: This man Wahrhaftig is one of these cases. He got his deferment on his own representations of the character of the work he was going to do and not on our request.

MR. WHITE: How about the men who are abroad, Mr. Secretary? There are six or seven men abroad. I take it if they are abroad we just leave them abroad, and that is up to the draft board.

H.M.JR: No, it isn't any more under this new law, Harry. The draft board won't ask for deferment for them and cannot under the law. Am I right?

MR. THOMPSON: That is right. They cannot unless there is an official request from the head of the agency.

H.M.JR: Under this new--

MR. THOMPSON: They can defer them, but the law provides that they can give no consideration in such cases to the fact of Government employment. In other words, they can't consider the man's employment in the Government in the decision.

MR. PAUL: Are those six or seven men included in the twelve?

H.M.JR: Well, I set twelve; twelve isn't a magic figure. Let me get three of the keymen from each.

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Now it isn't only the people in the room here. There will be the Bureau of Engraving, there will be Procurement - what others?

MR. THOMPSON: I have a list here which covers all of the offices. There is one from Procurement. I think three will be rather liberal for most offices.

H.M.JR: Well, let me get it, and I will give this thing a lot of time. I worry about it a lot. Turn in the three names, and let's take a look at them.

MR. WHITE: I still am not clear on this one point because it makes quite a difference in some of our good men who are abroad. We have Glasser in North Africa, Adler in China, Casaday in England, and Ness in South America. We have several younger men around.

H.M.JR: Well, under this new law, Harry, their draft board will turn their names in; and unless I ask for their deferment, they will go into whatever classification - whether they are in Washington or Timbaktu or Rangoon. Is that right?

MR. THOMPSON: Yes.

MR. WHITE: Several of them are thirty-eight - either will be in a few months, or are.

H.M.JR: Each person reexamine the thing. The committee will have a study, and we will give our tentative findings back to you and there will be another discussion. That is fair enough, isn't it?

MR. WHITE: Yes. I have only one reservation, and that is one that I have had right along. I am not certain that the department head is wholly within his ethical right in making a policy decision on a matter of this kind, which is at variance with the Government, that the place to change a policy decision of a Cabinet member is at a Cabinet meeting; but once a policy is decided, it would appear to me that the appropriate thing is to administer

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that policy in line with the accepted policy. Now, I don't think you are doing that, Mr. Secretary. That is my one objection.

H.M.JR: Well--

MR. WHITE: I don't know how much at variance it is, but from what I hear there is a tremendous variance. When we talk of twelve to fifteen men out of the Treasury Department and here Ickes comes out last week - or the week before, I don't remember - saying that his big mistake was in not deferring men and that he is going to defer a lot more men, and the Manpower Commission coming out and saying that there are a lot of key men in organizations--

H.M.JR: Did you read Ickes' statement?

MR. WHITE: No, I didn't.

H.M.JR: If you want to go into ethics - he sent it to me. Ickes said he would permit no more to enlist in the United States Army and that he would ask to defer just as many people as he wanted. Do you want me to subscribe to that, if that is the policy?

MR. WHITE: No, I don't think he has a right to make his own policy, either. I don't know whether there is a Government policy, but I thought there was, and I thought the Manpower Commission administered it. I don't think it is fair to any department head to expect that department head to interpret so important a matter.

H.M.JR: But you have me wrong. The President of the United States holds me responsible to make recommendations to him.

MR. WHITE: With respect to this?

H.M.JR: Yes. It goes from me--

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MR. THOMPSON: The Manpower Commission sets up the specifications under which you may defer a person, but the head of the agency has to exercise his judgment as to whether the urgency is so great he can't get along without a man.

H.M.JR: The President of the United States holds me responsible for recommendations. They have to go over my signature, don't they?

MR. THOMPSON: They don't have to go to the President any more, but the same procedure--

H.M.JR: Where do they go?

MR. THOMPSON: They go direct to the draft boards.

H.M.JR: Am I correct that I am held responsible?

MR. THOMPSON: Absolutely. The head of the agency has the responsibility of deciding whether he can get along without the man or not.

H.M.JR: I mean, it is up to me to interpret it, Harry.

MR. GASTON: The Manpower Commission asks you to tell them which of your employees who would otherwise be subject to the draft are, in your judgment, essential to the functioning of your department in wartime in the light of the Army's need for more men.

MR. WHITE: You feel, Herbert, that that is a decision which the department head makes, irrespective - without careful regard to what other departments are doing. It is a reasonable interpretation, but if that is the interpretation then it does--

MR. GASTON: The responsibility is on the head of each department to consider the whole question, decide

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what men he can get along without, and then this review board is going to challenge - is going to require very detailed justification.

They sent out a new circular this morning. They are not satisfied with some of the justifications coming up to them.

H.M.JR: Do you still question the ethics of that, Harry?

MR. WHITE: No, no. I guess I don't, no. I didn't know that there wasn't an administrative policy that ran in terms which were more specific than those stated by Herbert. Certainly there is a very wide variation of interpretation. Then I have had men turn down jobs, fellows thirty-six, forty-two hundred dollars, and get jobs elsewhere - they are still out of the Army.

H.M.JR: Well, I can give you plenty of so-called Executive orders which go way, way back, leaving it to the department heads to decide. It is unfortunate that these things - that they aren't interpreted by any two departments the same. I can give you plenty of examples.

And inasmuch as the public and the Congress of the United States hold me personally responsible for what goes on here, I have got to decide the way I think right. I mean, when I am called before the Costello committee, or somebody, they are interested in what I have done as Secretary of the Treasury and they are not interested in the Executive order. And it shifts all the time.

I think what Harold Ickes did was most unwise, and I think it makes it more difficult for all of us. And then I think a few of these isolated cases where they asked for exemptions still make it more difficult.

Anyway, get in your names and we will see those, and you know about where I stand, anyway.

Anybody got anything else?

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MR. BELL: Would you see Harry and me this morning about the conference yesterday?

H.M.JR: If you would give me five minutes to catch my breath.

MR. BELL: Ten minutes. (Laughter)

H.M.JR: I will see you at quarter past.

MR. GASTON: Fred Smith sent me by wire yesterday a proposed release - a statement by you - and I think it is rather a good statement. It has been turned over to Mr. Peabody, and he has it. If it is to be released, it ought to be released today.

H.M.JR: Could you come in right after Bell?

MR. GASTON: I want to get to a ten-thirty meeting.

H.M.JR: Bring it in right away - no, I have a couple of things to do. Why not let me see Gaston at ten-fifteen, to give Gaston a chance to get away, and then I can see Bell and White at eleven.

MR. WHITE: I have some people in, if I have any choice.

H.M.JR: When?

MR. WHITE: At ten-thirty.

H.M.JR: Will you be through at eleven?

MR. WHITE: No, I won't be through for a long time. I can step out for a few minutes.

H.M.JR: Step out for a few minutes.

April 22, 1943
11:05 a.m.

OCCUPATION CURRENCIES

Present: Mr. Bell
Mr. White
Mr. Taylor

H.M.JR: At your service, gentlemen.

MR. BELL: We had another meeting yesterday in Assistant Secretary McCloy's office. He was there during the entire meeting.

Mr. White, as you know, was sick, so I took Mr. Taylor with me. He has been working with Mr. White.

We discussed the name of the currency and also the change in the rate of exchange. None of them liked it - I won't say they didn't like it, but they didn't feel that we could go to "United Nations," because the President had designated this as an Allied undertaking, and they thought that that probably was deviating from what he had designated, that he wanted it to be strictly an Allied affair.

Feis said that he had talked to the Secretary of State and a few of the other people in the Department of State and they felt that they should not do this without going to the United Nations, because we will have the problem of where will we go from here on. They felt - it was rather unanimous, except the Treasury end, for an Allied currency - Allied Military Authority, or something.

H.M.JR: Well, they have no imagination. You can't drill that thing into them.

MR. BELL: Have I stated everything? Taylor, you help me out.

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MR. TAYLOR: Yes.

MR. BELL: You can't make notes in those places.

H.M.JR: You can't fight it. I mean, they are just dumb.

MR. WHITE: Are they going to have one currency for both? Are they going back into separate currencies?

MR. BELL: They intend to have one currency as we contemplated, and that would be known - they liked these decisions which we had made up, you recall, which you saw the other day, that we put in after that one conference we had. It was suggested that we have an Allied currency. I had Mr. Hall make up some forms of notes, and he printed in there "Allied Currency." I showed them those forms, and they liked them in that style.

H.M.JR: Is that all you have to report?

MR. BELL: On the name of the currency, yes.

Now, on the rate of exchange, we told them our story as near as we could get it. Harry has more of it at his finger tips than I have, and Taylor helped me out. There was quite a bit of argument about it as to whether we wanted to follow out the President's policy of being benevolent in this undertaking. They felt that one percent, or, one-cent lira would be rather shocking, and Feis gave quite an argument as to wiping out savings accounts and everything else.

But I think the military people felt that it would be better to give the commanding general a rate which would help him in getting cooperation from the populace. They felt that the two-cent rate would be better than the one-cent rate to do that. They certainly felt that we ought to start at the two in our arguments with the British.

Now, there was more or less of a vote around the table. A good many of them said fifty, and two or three

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people, I think, in the State Department said that they thought maybe sixty was the better rate because the fifty was the same rate as the French franc rate in North Africa. Of course, it has very little relation; the depreciation of the lira on a two-cent basis is much greater than the depreciation of the franc on a two-cent basis, but that was one of the arguments.

I think few of the War Department people, such as Carter, who has to handle the accounts, wanted a seventy-five rate.

H.M.JR: What is that rate?

MR. BELL: That is one and a third cents. Sixty is one and two-thirds. The fifty is a two-cent rate.

They asked us to come back and tell you their feelings on it and get your thoughts.

H.M.JR: You can tell them I wash my hands of it. Let them go ahead and do it just the way they do everything else. I am not going to agree to it, so let them go ahead and do it as they damn please.

MR. BELL: The State Department took this position: They said it really wasn't their affair.

H.M.JR: It wasn't their affair, but they would let Feis sit there and argue his head off.

MR. BELL: Feis really made this statement - he said that he talked to Secretary Hull and Secretary Hull said that he would prefer a liberal rate, but whatever the War Department and the Treasury concluded, he would back them up, and it wasn't any of his business, really.

H.M.JR: Then why do they sit in and do all of this talking?

MR. BELL: This is supposed to be more or less of a committee the War Department has set up to handle this affair, and the three State Department people are in on it.

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H.M.JR: You can tell the War Department for me that I think it should be one cent, and I think it should be United Nations. If they don't want to do it they should take the responsibility, and I wash my hands of it.

MR. BELL: Well, I wouldn't do that if I were you. You have your thoughts on it, but he may lose both of these things after they get to discussing it with the British. They may feel very strongly about using their currency, one, and having a different rate, two.

H.M.JR: I think the thing - I think all this committee business is the bunk. I think the Treasury should ask them and they should take our advice. That is what the English do. They don't, and they sit around. They take all of your time and White's time, and they do it, anyway, the way they want. Feis says he doesn't, but he sits there and runs the meeting - he doesn't want it, but he wants to have it his way. It is a lot of waste of time. It isn't winning any battles; it isn't getting anywhere.

You send for a man like Bob Patterson and we tell him that this is what is wanted. He listens carefully and says, "I agree a hundred percent with the Treasury," and it if were in his hands it would go like that. These other people just sit around and wear you down and wear you out. I mean, I am so sick and tired of all these committees, and they don't listen to you.

MR. BELL: Do you feel strongly about the rate, Harry?

MR. WHITE: Yes. On the rate I agree wholly with the Secretary, that the determination of the rate is something which the Army knows nothing about any more than we know about military operations; that it is the Treasury's responsibility.

The currency - the type of currency - I think we are on the little less strong ground on that.

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H.M.JR: Well, Dan, I tell you, it gets to a point - if the State Department would only be sincere - if they have no interest why do they keep pushing Feis forward all the time and arguing about the two-cent rate, the benevolent rate, and all the rest of that stuff? They take all of your time; they take White's; and they take ours. You were there the other day three hours. Then we argue about this thing for two or three months the way we did and we all agree. There is all this discussion and dirty gossip about speculators and people knowing beforehand about the change in rate.

If you are asking me - and you don't have to do what I say - I would tell the Army, "This is the way Morgenthau feels - you can take it or leave it, but he isn't going to sit around and waste his time."

Now, you go back to this originally with Patterson. I said, "Patterson, are you going to run this show in Africa, or do you want us to run the monetary show? I want to know who is going to do it."

He said, "I am."

I said, "O.K."

He was frank about it. Do you remember?

MR. BELL: Yes, I remember.

H.M.JR: All right. Now he came over here the other day - maybe I should or shouldn't have sent for him. I said to him, "What is this?"

He listened closely, and said, "I agree with you wholly it should be one cent. I agree with you wholly that it should be United Nations." All right, it is half or three-quarters of an hour; that is what we think. It is a military show. They can take it or leave it.

MR. BELL: They take this view of it, too, that you can't get any exactness in this rate. You don't know enough about the internal conditions.

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MR. WHITE: That is a hundred percent different, the difference between a cent and two cents. I am thinking of the rate going into Italy; that is where the trouble is. I agree on the rate. On the currency I am not sure you can take the same strong position.

H.M.JR: I am not going to plead with them, Harry. I am not going to plead with them. I don't want you and Bell wasting your time. It is the Army's responsibility. They ask our advice; we give it to them; they can take it or leave it. What is the use of sitting around for hours and trying to wear us all out physically? We have too many things to do which are our responsibility.

MR. WHITE: The Army should have too many things to do to argue what the appropriate rate is.

H.M.JR: I am a hundred percent with you, Mr. White.

MR. BELL: I don't think the British are going to accept it unless you force them into it.

H.M.JR: What?

MR. BELL: A two-cent rate.

MR. WHITE: Why should we recommend something that we don't feel is the best, everything being considered. I feel that way.

How do you feel, Bill, about the rate? Are you in any disagreement with me?

MR. TAYLOR: Not a bit; I feel the rate should be at least one cent.

MR. BELL: At the most, you mean?

MR. TAYLOR: I feel that that is the minimum rate that we can set.

MR. WHITE: What do you think the maximum should be? Which way are you looking at it, so much per dollar?

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MR. BELL: I think he means the maximum rate.

MR. TAYLOR: One cent is treating the Italians very benevolently in accordance with the President's directive.

H.M.JR: O.K.

April 22, 1943
3:10 p.m.

TAXES

Present: Mr. Paul

H.M.JR: Anyway, I wanted to tell you this. I had Jimmy Byrnes for lunch and I wish somebody had been there because as he was getting into the elevator - he didn't say a word all through lunch - as he was getting into the elevator he said, "I talked to Sam Rayburn this morning about the tax bill, and he says, 'I hear they are going to get together.'"

I said, "Are they? I hadn't heard."

He said, "Yes, yes. We got to compromise - get together - get the thing out of the House and get it over to the Senate, then they can do something. We have just got to compromise."

MR. PAUL: When did he say he talked with Sam?

H.M.JR: This morning. I thought those few remarks might mean something to you, but they didn't mean much to me.

MR. PAUL: I wonder if he - I will have to find out - see if I can find out anything from Ben Cohen.

H.M.JR: Ben was just here on another matter. I don't think he--

MR. PAUL: You don't think he knows about it? Byrnes and he don't seem to be in awfully close touch.

H.M.JR: I don't mean that. But you couldn't have some excuse - why don't I call up the speaker? Have they already left?

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MR. PAUL: They were supposed to adjourn at noon. Let's call them up. I haven't heard. I saw Rayburn the same day I saw McCormack. He is such a slick fellow. You never can tell just what is in his mind, but he sounded a good deal better than McCormack.

They just compromise themselves into a hopeless position. I would rather lose the whole thing than compromise myself into a position where you couldn't make any use of the issue.

H.MJR: I am just--

MR. PAUL: I mean, I want to keep our skirts clean, you see, so that the President can use this issue as much as he wants to use it, and if his own boys are in a compromise on a bad basis, he can't do that.

H.MJR: I have known Jimmy Byrnes for ten years. He is a great compromiser.

MR. PAUL: And McCormack.

H.M.JR: Evidently there is something on. I didn't want to ask too much because I didn't know too much.

April 22, 1943
3:12 p.m.

HMJr: Hello.

Operator: His clerk is not there, and the Speaker's on the floor. One of his secretaries is on the line.

HMJr: All right, let me talk....

Operator: Mrs. Wright.

HMJr: All right. Hello.

Operator: Go ahead.

Mrs. Wright
(Rayburn's
secretary): Hello.

HMJr: Mr. Morgenthau speaking.

S: Yes, sir.

HMJr: Is there any way I could get to talk to the Speaker on the phone?

S: Well, I - he's on the floor. I'll send a page in, Mr. Morgenthau, and see if he can get away.

HMJr: He's not in - he's not presiding?

S: I'm not sure about that.

HMJr: Well, would you do that?

S: Yes, and I'll - I'll call you back.

HMJr: That oughtn't to take very long, ought it?

S: 2626, is that right?

HMJr: That's right.

S: District 2626.

HMJr: That's right.

S: All right, sir.

HMJr: Thank you.

April 22, 1943
3:20 p.m.

Speaker
Rayburn: Yeah.

HMJr: Sam?

R: Yes, Henry.

HMJr: Where are we on the tax bill?

R: Well, Bob's introducing one today.

HMJr: What's that?

R: Bob's introducing one about four o'clock today.

HMJr: Is he? What kind....

R: It'll be '31 and withholding - '41 and withholding.

HMJr: I see.

R: And you don't....

HMJr: That's what's known as....

R:think that would be such a bad start, do you?

HMJr: That's what's known as the "Doughton No. 1"?

R: Yeah.

HMJr: Well, that's all right.

R: Yeah. Well, I got them - they broke up yesterday....

HMJr: Yeah.

R:and as I expected, but they had one little politician that did it, I think.

HMJr: What?

R: I think one little politician broke it up, I think. They were nearly to an agreement the night before last, and I think Joe Martin broke it up yesterday morning early.

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HMJr: Oh.

R: And it broke up, and I've been to the whole committee yesterday....

HMJr: Yeah.

R:and some of them just wanted to go on the withholding, and I said, "Hell, you can't pass it. They'll adopt a substitute, a baby Ruml plan or something like that."

HMJr: Yeah.

R: And then, I said, "Now I've got to go." I had an engagement to go out and eat dinner with Cordell Hull and Frances last night - and I said, "Now listen, I've got to go. I want to poll you right now," and I put them, every one, on the spot and they - every durn one said they'd vote to report this bill out.

HMJr: Yeah.

R: And we'll take it up on the third.

HMJr: Third of May?

R: Yeah, we're recessing....

HMJr: Oh.

R:from today until Monday week.

HMJr: I see.

R: Yeah. And Bob will have it ready and report it and everything then, and we can go ahead with it and I think....

HMJr: Well, now....

R:it can lick anything that they've got.

HMJr: Really?

R: Yeah.

HMJr: Well, now under what kind of a rule will that be?

- 3 -

R: No rule. It's a privileged bill.

HMJr: Oh.

R: I held the other one privileged, you see, and it will just be called up. It'll be open to amendment.

HMJr: Well, what I didn't understand - Jimmy Byrnes had me for lunch - at least, I had him. I paid for it.

R: Yeah. (Laughs)

HMJr: And he said he'd been talking with you this morning and they've fixed up some kind of a compromise.

R: No.

HMJr: What?

R: Oh, they - no. The only kind of a compromise they were talking about was this, that the Republicans would just offer one substitute and that's all.

HMJr: Yeah.

R: That was the understanding between Bob Doughton and Knutson - and Knutson.

HMJr: Well, if....

R: There's no compromise at all on the bill.

HMJr: And their substitute will be the Carlson bill, won't it?

R: No, I think they're going to offer this 75-50.

HMJr: Well, can we beat that?

R: I think so.

HMJr: Well, you feel pretty good then?

R: I do.

- 4 -

HMJr: Well, then I feel good.

R: I think we can - I think we can get practically every Democrat in the House for this thing....

HMJr: Well, if you....

R:and we're just going to call the other a 3/4 Ruml plan, you see?

HMJr: I see.

R: And - and I think we can lick them.

HMJr: And John McCormack's playing ball?

R: Yeah.

HMJr: He's all right?

R: Yes, sir. He and I met with them yesterday afternoon.

HMJr: What?

R: He and I met with the committee yesterday afternoon, and we're all in accord about it.

HMJr: Well, if you feel all right, then I do.

R: I think it's all right, Henry. I believe we can lick them.

HMJr: Well, that's all....

R: I think we can get some Republican votes, as against whatever plan they put out....

HMJr: Oh.

R:and I think we can get practically every Democrat for this thing. This ought to satisfy all of them. We just - we lost all fifteen, I think, to this Ruml thing, and we got twenty-three of their's. But I think it will be better on our side if not on their's.

- 5 -

HMJr: So that little - that little meeting down here didn't hurt any?

R: No, my God, that was a good meeting.

HMJr: What?

R: That was a good meeting.

HMJr: Yes.

R: You bet your life.

HMJr: Well, I guess you've been pitching ever since.

R: Well, God, I've been in session with these people - I went over there yesterday afternoon and I was going to get something out of them and so I just said, "Now, hell, Willis, there ain't any use in your putting your damn plan up, and - and just be quiet."

HMJr: Yes.

R: And he was talking about you're going to double up. I said, "Well, what the hell are you going to do with the 80% under your outfit?" and I said, "Knutson even said that you had the rottenest bill in the whole damn lay-out." (Laughs)

HMJr: (Laughs)

R: And....

HMJr: That's Knutson?

R:and then I said - when I started to poll them, I said, "Now we'll just leave Willis out of this awhile and I'm going to poll you other twelve or thirteen fellows"....(laughs)...and we polled them and they every dawgone one said they'd go along and vote to support this bill.

HMJr: Wonderful.

R: And I - I think we'll - I think we'll be all right.

- 6 -

HMJr: Well, I - well, I think you've done a swell job.

R: Well, we finally got something, you know.

HMJr: Yes.

R: It looks like more we stand together on than anything we'll have.

HMJr: Well, thank you.

R: All right, Henry.

HMJr: Goodbye.

THE PRESIDENT OF THE UNITED STATES APRIL 22, 1943
(VIA WHITE HOUSE TELEGRAPH ROOM IN SIMPLE CODE)

DOUGHTON IS ABOUT TO INTRODUCE A TAX BILL WHICH IS ENTIRELY
ACCEPTABLE TO THE TREASURY. SAM RAYBURN TELLS ME HE FEELS
FAIRLY CONFIDENT THAT HE CAN PASS IT WHEN THE HOUSE RECONVENES
ON MAY THIRD. HASTA LA VISTA, AMIGO MIO.

HENRY MORGENTHAU JR

April 22, 1943
4:59 p.m.

HMJr: Have you got a pencil?

Stuart
Peabody: Yes, sir.

HMJr: She suggested to have a drawing --and this
is also for black and white -- of a flaming
Tokyo, you see?

P: Yes.

HMJr: And then a caption underneath, "Buy more
bonds...."

P: Uh huh.

HMJr: "....to bomb Tokyo."

P: Yeah.

HMJr: See?

P: Yeah.

HMJr: You might pass that along....

P: All right.

HMJr:to whoever's working on it.

P: I've already had the man on the wire up
there....

HMJr: Yes.

P:and he's out now looking for the artist
or an artist.

HMJr: Yeah.

P: Now I'm going to be in touch with him again
though the first thing in the morning.

HMJr: Well, I tell you what you might do. The -
the cartoonist for the Washington Evening
Star....

- 2 -

P: Uh huh.

HMJr:Berryman, is amongst the best. Hello?

P: Yes, sir.

HMJr: And he's a member of the Associated Press - their paper is.

P: It is?

HMJr: Yeah, and - oh, Gaston or somebody - Chic Schwarz could tell you who to talk to there.

P: Well, I've got a call in for Chic right now, and I'll ask him. He might - in other words, he might make the drawing?

HMJr: Yes, Berryman might make it, and then the Washington Star could put it on their AP service.

P: That would make a beautiful color poster, wouldn't it?

HMJr: Yeah. And I think, if I'm not mistaken, the head of the Washington Star is president of the Associated Press.

P: Uh huh.

HMJr: I think so.

P: Newbold Noyes?

HMJr: Yeah.

P: That's right.

HMJr: See?

P: Yes, I think that's right.

HMJr: Yeah.

P: Okay, sir. We'll see what we can do.

HMJr: You could do that as an alternative.

- 3 -

P: Yes, that's right.

HMJr: Yes.

P: All right, sir. Thank you.

4/22/43

Given to the newspaper men at
press conference today.

4/22/43.

Secretary of the Treasury Henry Morgenthau, Jr., today announced plans to go to Cedar Rapids, Iowa, on Easter Sunday, April 25th, "to talk with the people there about the war". Secretary Morgenthau, who has recently expressed concern over the fact that the purchase of War Bonds by individuals, while substantial, is not up to expectations, said this morning that he wants to talk to the people of Cedar Rapids "because they have one of the best Bond records in the country, and this is apparently due to a great extent to their understanding and deep conviction about the war."

"I cannot help feeling", he said, "that one reason some people are not buying bonds to the full limit of their ability is that they are not yet convinced of the urgency of the war, and the need for billions of dollars to provide the best possible equipment for our side. On the other hand we find that many people who are putting every available cent into bonds are doing so because they realize that this is a war to the finish—either the finish of the Axis, or our finish. ~~(I am not sure of this.)~~"

"This is a desperate, cruel, heartless conflict, as anyone *or who flew with general Doolittle over Tokyo* can tell you who has been to Guadalcanal *or Tunisia, or has lived* ~~in a conquered country~~. Every day that the war unnecessarily drags on means thousands of American lives, and if we should lose any part of it the cost to us in freedom is immeasurable."

APR 22 1943

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"And yet we can't sit here in Washington and tell people how to think. Whatever public education is necessary about this war should, it seems to me, be taken over by the people themselves. I believe that is what has happened in Cedar Rapids."

While in Cedar Rapids, Mr. Morgenthau will participate in a war fund rally and will interview Cedar Rapids citizens on the air from 7:30 to 8:00 (EWT), over the Columbia Broadcasting System.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 22, 1943.

TO

Secretary Morgenthau

FROM

Stuart Peabody *S.P.*

We are informed that Columbia will give us two advance notice broadcasts on Saturday and two on Sunday relating to the "We The People" show.

This is excellent cooperation and the maximum they have ever given on any show.

APR 22 1943

Dear Mr. Finley:

I want to express to you and your associates the sincere thanks of the Treasury Department for the work which you are doing in connection with the Second War Loan.

Through the facilities of your organization we have been able to supply mats to thousands of newspapers throughout the country, and in this connection your men have aided materially in the usage of these mats.

Your splendid cooperation has helped to make possible a tremendous newspaper advertising campaign so essential to a sales effort of this magnitude.

Sincerely,

(Signed) H. Mergenthau, Jr.

Mr. Emmett Finley
Executive Vice President
Western Newspaper Union
304 East 45th Street
New York, New York

VFC/mcn

Copy in Diary

Copies to Thompson

COMMISSIONERS

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FEDERAL COMMUNICATIONS COMMISSION

FOREIGN BROADCAST INTELLIGENCE SERVICE

1424 K STREET N. W.
WASHINGTON, D. C.

April 22, 1943

MEMORANDUM FOR MRS. KLOTZ.

SUBJECT: Secretary Morgenthau's announcement of the Second War Loan Drive, as treated by Axis radios.

In response to your telephone request of April 17, I am sending herewith transcripts of Axis broadcasts which mention the Second War Loan Drive, directly or indirectly.

Apparently, there has been ~~one~~ specific reference to Secretary Morgenthau's Carnegie Hall speech. On both the Berlin and Rome radios, however, there has been a reaction to the fact of the Second War Loan Drive, and these two stations, together with Berlin's counterfeit freedom station, Debunk, have devoted time to discouraging the participation of Americans in this drive. Tokyo has been silent.

Together with actual transcripts, I am sending you a page from one of our regular reports which gives typical quotations.

Harold N. Graves, Jr.

Harold N. Graves, Jr.
Assistant to the Director

FOR DEFENSE



The New York Times.
LATE CITY EDITION
APR 22 1943

**Don't Buy Bonds;—
Nazis Ask by Radio**

By The United Press.

The Berlin radio advised the American people to refuse to buy war bonds and decline to pay taxes, according to a broadcast heard in New York yesterday by the Columbia Broadcasting System.

The Nazi broadcaster asserted that in the United States there was a "mad scramble on to see who pays the least of the bill, which group of the community gets out of the mess with the least sacrifice."

"The best and wisest thing people can do who did not want this war is to prepare for the worst," said the Berlin speaker.

"They can begin by not subscribing to the present loan of \$13,000,000,000 to help pay for the war.

"You cannot win this war, anyway, and would probably be worse off if you did. So anything that brings it to an end quickly is good. Let the banks pay the loan and let them keep it."

Mrs. McHugh

D

This was with the foreign
propaganda material
that came to us from
Mrs. Klats - have
returned yesterday
morning. (The same
of which I spoke to
you this morning.)

Judy Graver

MR. ODINGARD

Part: 6 For Treasury War Savings Staff

10070 (JAPANESE HOME SERVICE) AT 5:30 PM

THE NATION-WIDE CONTROL ASSOCIATION HAS DECIDED TO BUY GOVERNMENT BONDS AND NATIONAL PATRIOTIC SAVINGS BONDS, IT WAS ANNOUNCED YESTERDAY BY THE ASSOCIATION.

THIS PURCHASING SYSTEM WILL GO INTO EFFECT BEGINNING APRIL 10. THE MAIN POINT OF THE SYSTEM IS THAT BANKS THROUGHOUT JAPAN, EXCEPTING THE BANK OF JAPAN, WILL PURCHASE THESE BONDS AT A STANDARDIZED PRICE.

THE PRESIDENT EXPECTS THAT SOME BONDS ARE BEING PURCHASED BY ... SOME WILL BE REMOVED.

THE STANDARD PURCHASING PRICES FOR THE BONDS WILL BE ISSUED BY THE CONTROL BUREAU UNDER THE JURISDICTION OF THE CONTROL ASSOCIATIONS THROUGHOUT JAPAN.

AS FOR THE SETTING OF STANDARDIZED PRICES, THEY WILL DIFFER ACCORDING TO THE TIMES THE BONDS ARE DUE.

THE PRICES WILL BE DETERMINED SO THAT THE PEOPLE WILL KNOW THAT THE MORE THEY POSSESS THE BONDS THE GREATER ARE THEIR PROFITS. THIS WILL BE MADE KNOWN TO THE GENERAL PUBLIC THROUGH THE BANKS. THE GENERAL PUBLIC IS THE SUBJECT OF THIS PURCHASING SYSTEM AND A LARGE SCALE SALE BY BOND MERCHANTS WILL BE PREVENTED. THE MAXIMUM FOR THE SALE OF BONDS PER PERSON, PER DAY, IS FIFTY YEN, AFTER ALL THE NECESSARY FEES HAVE BEEN PAID.

THERE ARE MANY LIMITS, FOR EXAMPLE, SUCH AS REFUSAL OF THE ASSOCIATION TO BUY BONDS SENT BY MAIL. THE APPROPRIATE AUTHORITY IS CARRYING OUT NEGOTIATIONS SO THAT SMALL GOVERNMENT BONDS CAN BE PURCHASED IN THE SAME MANNER AS IS PROVIDED FOR THE NATIONAL PATRIOTIC SAVINGS BONDS. PURCHASES OF THESE GOVERNMENT BONDS WILL BE APRIL 10.

IN CONNECTION WITH THE APPLICATION OF THE PURCHASING SYSTEM TO GOVERNMENT BONDS AND NATIONAL PATRIOTIC SAVINGS BONDS, PRESIDENT YAMAGUCHI OF THE NATION-WIDE CONTROL ASSOCIATION, ISSUED A STATEMENT YESTERDAY AT POINTING OUT THE FACTS THAT GENERAL BOND HOLDERS SHOULD NOT ABUSE THIS SYSTEM, AND SHOULD FURTHER STRIVE IN PLAYING THEIR PART IN EXPRESSING THEIR PATRIOTISM THROUGH SAVING. FOR THIS PURCHASING SYSTEM IS BEING ADOPTED OUT OF A PARENTAL KINDNESS OF THE GOVERNMENT. PRESIDENT YAMAGUCHI'S STATEMENT FOLLOWS:

"THE GOVERNMENT IS ISSUING SMALL DENOMINATION GOVERNMENT BONDS, THE NATIONAL SAVING BONDS, AND THE PATRIOTIC BONDS AND OPENING A WAY FOR SAVING, SO THAT EACH INDIVIDUAL OF OUR NATION CAN EXPRESS HIS PATRIOTISM THROUGH SAVING.

"AS THE SMALL DENOMINATION BONDS AND SAVING BONDS ARE EXTENSIVELY BEING SOLD AMONG THE GENERAL PUBLIC, THEY PROVIDE AN APPROPRIATE METHOD SO THAT HOLDERS OF THESE BONDS MAY BE ABLE TO SELL THEM IN ORDER TO MEET AN EMERGENCY, IS VERY ESSENTIAL. THIS ACTION WILL ALSO INCREASE THE SALE OF BONDS.

"I HEAR THAT THE GOVERNMENT IS PLANNING TO IMPROVE AND EXPAND THE STRUCTURE FOR THE SALE OF THE SMALL DENOMINATION BONDS IN THE NEAR FUTURE.

"IN COOPERATION WITH THE GOVERNMENT, THIS ASSOCIATION HAS ALSO DECIDED THAT A PURCHASING SYSTEM FOR GOVERNMENT BONDS AND PATRIOTIC BONDS WILL BE ADOPTED, AND THESE BONDS WILL BE PURCHASED AT BANKS AND BRANCH OFFICES OF THIS ASSOCIATION THROUGHOUT JAPAN BEGINNING APRIL 10. THE PURCHASING WILL BE MADE THROUGH FAIR STANDARDIZED PRICES.

"OF COURSE, THIS METHOD IS PROVIDED FOR THE CONVENIENCE OF EMERGENCY CASES OR CASES WHERE YOU ABSOLUTELY NEED YOUR MONEY. THEREFORE, I HOPE THAT THE PEOPLE WILL NEVER ABUSE THE METHOD AND WILL STRIVE FURTHER FOR PURCHASE OF THESE BONDS BY REGULARLY UNDERSTANDING THE PURPOSE OF THIS METHOD."

OFFICE OF WAR INFORMATION

WASHINGTON

April 20, 1943

Mr. H. S. Klotz
Department of the Treasury
Washington, D. C.

Dear Mr. Klotz:

As you requested, I am sending you recent transcripts of enemy mentions regarding the Secretary's activities.

As you know the enemy takes every opportunity to seize or make up news to use against us. He frequently twists and distorts the quotations of an American to suit his own purpose.

Sincerely yours,

Patricia Lochridge
Patricia Lochridge
Foreign Service Division
5439 Social Security Bldg.



BERLIN'S ADVICE TO AMERICANS

If any listeners followed the advice of Radio Berlin's intimate commentator "Bill," or of the German-controlled clandestine transmitter Debunk, they would immediately cash in the war bonds they held now and refuse to buy any more, they would oppose Lend-Lease (some time after its re-enactment!), they would oppose extension of the trade agreement program, and they would even patronize the black market in meat. If they wished further to realize the enemy's propaganda intentions, they would spread rumors to the same general effect. They would also distrust Britain, loathe Russia, keep a wary eye on the "Communist Menace" in the United States, and regard "P.M." as a Communist-front newspaper.

This small catalogue of the activities and attitudes which Berlin desires to foster among Americans presumably reflects the German propagandists' picture of some current vulnerable points or minor irritations in American public opinion. If they assume wide-spread public knowledge of the German control of Debunk, then the use of such direct appeals--all in English--suggests that the Germans conceive of the American audience for the transmitters as somewhat sympathetic to the Nazis. If not, they would certainly recognize that German sponsorship of a proposal for action strikes loyal Americans as a strong argument for doing the opposite.

Typical passages from the broadcasts:

War Bonds: "Flash from New York City:...May 1st has been set as the date for freezing the money invested in war savings bonds. After May 1st, the holders of war savings bonds will no longer be able to go to the Post Offices and get their money back." (Debunk)

"Flash from Washington: In Washington there is a run on the Treasury Department of people who are turning in War Savings Bonds and are demanding their money back.... It is possible that the government will act suddenly in this matter and freeze them overnight." (Debunk)

"The best and wisest thing the people who do not want this war can do, is to prepare for the worst. They can begin by not subscribing to the present loan of \$13,000,000,000 to help pay for the war." (Bill)

Lend-Lease: "Wherever you go, the workers are up on their hind legs against the Lend-Lease law, because they say that the Lend-Lease law is preventing an increase in wages. And...the workers are right. It is the Lend-Lease law that is milking America of all consumer's goods." (Debunk)

"Before the end of the year, you are going to draw your belts tighter than you do today and dig deeper into your pockets for more taxes and the country is going to be a little nearer ruin because of Lend-Lease and because of this war, unless something is done to relieve the strain of trying to look after the 30-odd nations feeding out of the American trough." (Bill)

1943 APR 22 PM 12 11

W20G23WASH 117 MPLS 22-1052 MPLS

MORGENTHAU

CONFIDENTIALLY AND NOT FOR PUBLICATION WAR FINANCE COMMITTEE ORGANIZATION TODAY PUT NINTH FEDERAL RESERVE DISTRICT OVER ITS QUOTA 175 MILLION FOR OTHER THAN BANKS WITH PAID IN SUBSCRIPTIONS AT FEDERAL RESERVE BANK. WITH PRIDE WE REPORT 570,000 INDIVIDUAL SUBSCRIBERS WHICH IS OVER TEN PERCENT OF GROSS POPULATION OF DISTRICT WITH ADDITIONAL SUBSCRIPTIONS ARRIVING IN LARGE QUANTITIES, OUR ORGANIZATION HAS BEEN REMARKABLY EFFICIENT AND SMOOTH IN ITS OPERATION WITH ALL GROUPS FULLY INTEGRATED AND NO DISCORD OR LACK OF HARMONY FROM ANY SOURCE DUE LARGELY TO SPLENDID TREASURY SUPPORT, IF THIS VALUABLE ORGANIZATION IS TO BE HELD INTACT FOR LATER DRIVE SUGGEST ASSURANCE OF CONTINUITY BEFORE APRIL 30 SO WE MAY MAINTAIN NECESSARY PERSONNEL, BELIEVE IT WOULD BE FATAL ERROR TO ~~REESTABLISH~~ REESTABLISH EITHER VICTORY FUND COMMITTEE OR WAR SAVINGS STAFF IN THIS DISTRICT

PEYTON.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE APR 22 1943

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject: Resale of Victory Loan Bonds of \$50 and \$100
 Denominations in Canada.

Some people who suggested that you offer a \$100 marketable bond in the War Loan Drive pointed to the fact that this is done in Canada. This memorandum briefly outlines Canadian experience with \$50 and \$100 bonds. It indicates that a large portion of the \$50 bonds and a smaller but still substantial portion of the \$100 bonds are resold to banks as soon as they are paid for, or shortly afterward.

In the Second Victory Loan, floated in February - March 1942 (comprehensive data are not available for the Third Loan offered later in the year), \$130 millions of bonds of \$50 and \$100 denominations were issued. This comprised 15 percent of the total new money raised during the campaign.

By December 31, 1942, about ten months after the Loan, 379,000 of the \$50 and \$100 bonds, valued at \$23 millions, had been resold by the public to the banks. These resales constituted 27 percent of the \$50 bonds and 10 percent of the \$100 bonds originally issued.

Number of Pieces Originally Issued and Number Resold
 by Public to Banks

	: : Issued to : Dec. 31, 1942 :	: : Sold to : banks : by public :	: : Percent : resold :
\$50 bonds	1,120,748	301,424	27
\$100 bonds	<u>746,950</u>	<u>77,288</u>	<u>10</u>
Total	1,867,698	378,712	20

Secretary Morgenthau - 2

The experience with the \$50 bonds is doubtless due in part to the fact that they were the smallest denomination available. The experience with the \$100 bonds would probably have been poorer had they been the smallest denomination available and so received the marginal subscriptions which were concentrated in the \$50 bonds.

The greatest volume of resales occurred in September and October, very shortly after the time when final payments on the majority of the bonds purchased on the installment plan were made, as is shown in the following table:

Number of Pieces Resold by Public to
Banks by Months

	⋮ \$50 bonds	⋮ \$100 bonds
<u>1942</u>		
March	2,714	1,414
April	10,665	4,756
May	14,512	5,978
June	19,461	7,222
July	26,809	8,449
August	40,646	10,682
September	51,193	11,723
October	65,108	12,792
November	36,812	7,825
December	<u>32,504</u>	<u>6,447</u>
Total	301,424	77,268

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

April 22, 1943.

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

Dear Henry:

This is in further reference to your letter of April 8th, inclosing Mr. Bartelt's report on the Army War Bond Office in Chicago. This report has received careful consideration. I am inclosing for your information a copy of memorandum from General Carter, from which you will note the action which has been and is being taken.

I want to thank you for the helpful suggestions which Mr. Bartelt made.

Sincerely yours,


ROBERT P. PATTERSON,
Under Secretary of War.

Incl.
Cy. Gen. Carter's
Memo. of 4/14/43.

WAR DEPARTMENT
HEADQUARTERS, ARMY SERVICE FORCES
Washington, D.C.

SPBFA-19798

April 14, 1943.

MEMORANDUM FOR THE UNDER SECRETARY OF WAR

Subject: Army War Bond Office, Chicago, Illinois.

1. Receipt is acknowledged of your memorandum dated April 12, inclosing letter addressed to you by Secretary Henry Morgenthau, Jr., dated April 8, together with a copy of the report dated April 5 by Mr. E. F. Bartelt, Commissioner of Accounts, Treasury Department, on his visit to the Army War Bond Office, Chicago.

2. I am very glad to have received this report and to have the benefit of Mr. Bartelt's suggestions, all of which will receive serious consideration.

3. His recommendation that the appropriation be charged as soon as the deduction from payroll has been made, whether or not a bond is issued, has already been discussed with Mr. Bartelt and plans are being made to put this into effect as far as practicable. However, it should be kept in mind that the deductions for any one month cannot be immediately reflected in this special deposit because payroll abstracts may not be received for many weeks thereafter.

4. The suggestion regarding the establishment of progressive accounting controls is one that is included in the basic procedures prepared in this office and the details of this plan are now being worked out by the organization in Chicago.

5. The suggestion for revised procedures in the rejection of allotments seems to have merit and, together with all other recommendations in the report, is being referred to the Office of the Chief of Finance for further consideration and report.

6. I have made arrangements for obtaining 100 letters of complaint from soldiers and these will be forwarded to Mr. Bartelt as soon as received.

Sgd* A. H. Carter.

A. H. CARTER
Brigadier General, U.S.C.
Director, Fiscal Division.

Incl.

Lt. Fr. Sec. Henry
Morgenthau, Jr., dtd.
4/8/43, with report.

C O P Y

approx 4/22/43

where did this come from 70

ONE HUNDRED BILLION DOLLARS FOR WAR

President Roosevelt's budget for 1943/44 provides one hundred billion dollars for war expenditures. This is more than the federal government spent for all purposes in 140 years from 1789 to 1930. It is more than the combined incomes of every one in the United States in either 1929 or 1941 -- the two peak years of income prior to our participation in the Second World War. It will probably take two-thirds of all that we can produce in the course of the year, in spite of record-breaking increases in output. Can the government really obtain two-thirds of what we produce? Can we civilians live on what remains? And does it make any difference to us how the government pays for what it gets? The answer to all these questions is "Yes," but every citizen must understand the problems involved if he is to help in solving them.

How will the average citizen be affected by the diversion of the larger share of our productive capacity to war production?

We are already aware of so many goods shortages that the answer to this question is fairly plain. Consumer expenditures for goods and services amounted to \$76 billions in the peak year of 1941 and, according to the Office of Civilian Supply, could fall to \$56 billions in 1943 without impairing our efficiency. Consumer expenditures were only \$43 billions in 1932 and again in 1933. These figures make no allowance for changes in the cost of living, but when this is taken into account the essential \$56 billion minimum is 14 percent above what we had in the worst years of depression; and the

Office of Civilian Supply estimates that the amount available in 1943 will be substantially larger than the essential minimum.

All such figures are only approximate measures. Standards of living depend on the kind as well as the quantity of goods and services available. Moreover, there is no sharp division between war and civilian expenditures. War expenditures include the maintenance of several million citizens in the armed forces, and some of these are obtaining better food and clothing than they enjoyed as private citizens. On the other side of the account, OCD volunteers, nurses' aides, and others are giving leisure time for war service without pay, and contributions to war chests and the Red Cross do not appear in government budgets. Nevertheless, it seems clear that we can meet the demands of the 1944 budget and have enough left for efficiency and reasonable comfort.

How can the government obtain two-thirds of what we produce?

The government can obtain the necessary funds in two ways, through borrowing and through taxes. Printing paper money is a third method, which has been used by other governments, and by our own government during past wars, notably the Civil War and the American Revolution. But the highly inflationary effect of paper money issues is so generally recognized that they are not seriously considered as an alternative; for not only does the amount of money to be spent increase in proportion to the amount of paper money printed, but also the speed with which it is spent increases because of general distrust of its value. The result is to increase buying power -- and prices -- out of proportion to the increased money in circulation.

Can inflation be prevented by sound Treasury financing?

If all government expenditures were to be met from taxes and loans from private individuals there would be no inflation. This is impractical, however, when needs are as great as they are now. It takes time to establish effective administration for heavy new taxes. Moreover, no fiscal system can be perfect, and one that is used to obtain two-thirds of the national product through taxes and loans is sure to cause needless hardship for some. Therefore it is necessary to supplement financial measures by price controls and rationing.

But price controls and rationing must be strongly supported, in turn, by fiscal measures. For if private citizens have incomes far in excess of the goods they may purchase, they are sure to compete for the limited supplies available and to bid prices up. Price controls and rationing are difficult to enforce at best. Even now black markets are fairly common. The goods sold in such markets at excessive prices are all diverted from normal channels; and in the legitimate market, where prices are reasonable, shelves are emptied so much the faster. More serious than this, war materials may be thus diverted to nonessential uses.

How large a share of the budget should be met from tax revenues?

During the First World War one-fifth of the costs were met from taxes. This did not prevent prices from rising to more than double the prewar level. It is expected that nearly one-third of the cost will be covered by taxes this year, and the President has asked for enough new tax revenues to cover nearly half of the 1943/44 budget. It is impossible to set any fixed ratio of taxes to loans as best.

Success in checking inflation will depend on the effectiveness of nonfiscal measures, on the way in which the borrowed share is obtained, and on the kind of taxes levied.

What are the "best" taxes?

The test of a good tax depends both on our objectives and on the specific economic conditions prevailing. The objectives listed above are preventing inflation and obtaining the revenues from those who can best spare them. Under present economic conditions, payroll, profits, personal income, and graduated spendings taxes should further both objectives.

Payroll taxes falling directly on the worker are taken out of his wages before he has an opportunity to spend them. Consequently, they decrease his spending power very effectively. And as long as the proceeds are dedicated to special benefits -- whether for old age or unemployment -- the question of ability to pay does not arise. They are a kind of forced savings. Profits taxes tend to reduce dividends, and consequently the spending power of the comparatively well-to-do.

The personal income tax can be adjusted to ability to pay better than any other tax, since income is the basic measure of ability and allowance can be made for special needs. Graduated spendings taxes are the most effective check on inflation, since they exempt savings and bear heavily on expenditures in excess of the necessary minimum. This makes them particularly valuable now. In time of depression, when spending should be encouraged, such taxes would be as objectionable as they are desirable now.

General sales taxes will also reduce goods purchased, but they increase the cost of living of the lower income groups as surely as rising prices. Because families in the lower income groups spend the largest part of their incomes for commodities that are taxed by the usual retail sales tax, a 10 percent levy will take nearly 10 percent of their incomes. High-income families, on the contrary, spend a much smaller proportion of their incomes for taxed commodities and thus contribute much less than 10 percent of their incomes for such a tax.

Why aren't we planning to meet the entire cost of the war from tax revenues?

Present tax laws will provide only about one-third of the federal government's expenditures in 1943/44. New taxes requested will bring the total to nearly one-half. Canada and Great Britain have met approximately half of their costs from taxes, but no government is attempting to cover the whole cost with taxes. There are good reasons for this. New and heavy taxes are unpopular and are always resisted in some measure. Consequently, it takes time to build up an effective administration which will prevent any serious evasion of the tax; and not even a personal income tax can be equitable if evasion is widespread.

Also, no tax can make allowance for all differences in individual circumstances, and as long as the best taxes can only approximate individual ability to pay it is important to leave individuals some discretion in contributing to government costs. This is made possible by meeting part of the cost through War Savings Bonds and Stamps, purchased by individuals who make their own decision as to what percent-

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age of their incomes they can set aside for this purpose.

Can we defer part of the cost to the postwar period if we borrow?

It is popularly believed that the cost of the war can be spread over a long period of time through borrowing, just as the private individual can meet unusual expenses by borrowing and then repaying the debt in instalments. This would be possible if we could borrow from others, but we can only borrow from ourselves. The war must be fought with guns and planes and ships produced by American industries now. And the supply of civilian goods must be cut accordingly. If the supply of civilian goods available is out in half, the amount that we can buy will be cut in half, whether we invest half of our income in War Savings Bonds and Stamps, or pay half of our income in taxes, or pay twice the price for each thing we buy. It is true that government bonds will have to be paid off with postwar taxes; but this does not mean that we shall be paying for the war in postwar years. The money that comes out of one pocket in taxes will be returned to another pocket for bonds and stamps redeemed. Civilian spending will not be reduced in the postwar period because we are "paying for the war."

Does it make any difference whether the government borrows from banks or from individuals?

The government borrows from many sources. In addition to the War Savings Bonds and Stamps purchased by private citizens, insurance companies, savings banks, commercial banks, and other corporations are investing in government notes and bonds. And it makes no

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real difference whether the government borrows from individuals or from insurance companies and banks as long as the amounts borrowed represent genuine savings. The insurance premium, invested by the insurance company in government bonds, will transfer spending power from the private individual to the government just as effectively as the direct purchase of bonds by the individual.

The converse of this is that the purchase of War Savings Bonds from money that would otherwise have gone for increased insurance brings no gains. When the government borrows from commercial banks, however, new deposits are created, rather than transferring money from the deposits of private individuals to the government's account. Consequently, total purchasing power is increased and there can be no corresponding increase of goods to be purchased. Thus difficulties of maintaining price controls are multiplied.

New government borrowing for 1942/43 will amount to about \$60 billions. The larger part of this is provided by commercial banks. The excess purchasing power created by these bank loans is definitely inflationary. In view of the alternatives, heavier taxes or higher prices, the private individual has everything to gain from buying War Savings Bonds and Stamps.

The bonds can be converted into cash in the postwar period when civilian goods will be more plentiful, lower in price, and of better quality than now. Neither heavy taxes nor higher prices leave the individual with a spendable surplus later. Moreover, voluntary saving can be adjusted better to individual circumstances than either taxes or rising prices. And finally, giving up non-essential purchases today will keep prices of essential goods from rising.

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These are purely selfish considerations, but in this instance selfinterest is in harmony with promotion of the war effort. From the viewpoint of the nation as a whole, individual buying of War Savings Bonds and Stamps makes for a fair distribution of the war cost, and prevents inflation now with the counterbalancing postwar collapse.

Is the government debt getting dangerously large?

Many are asking if the government debt is getting too large for safety. Will the government ever be able to pay it off? The 1943/44 budget contemplates a debt in excess of \$200 billions -- eight times the maximum debt resulting from the First World War. Yet today, with the debt well over \$100 billions, the federal government is borrowing at much lower rates of interest than it did in the First World War. This would not be possible if we seriously questioned the government's ability to repay this debt. Interest charges this year are less than 8 percent of tax revenues. In earlier war periods interest has risen as high as 90 percent of current tax revenues and we eventually paid the debt.

A government's credit can fail, as Germany's credit failed during the early nineteen-twenties. But failure does not come from excess savings on the part of individual buyers of government bonds. It is failure to save and invest in government securities that is responsible for runaway inflation.

How is it possible to save and buy War Savings Bonds when taxes are so heavy?

Many people feel that they cannot buy bonds when taxes are so heavy. And it is true that most families cannot meet their tax

obligations, buy bonds, and maintain their usual standards of living at the same time. But standards of living cannot be maintained even if bonds are not purchased. The goods and services available for civilians are necessarily ^{greatly} reduced. The larger part of manpower and plant must be diverted to war production. Under these conditions an attempt to buy as usual will only bid up prices of scarce goods, and people will have neither savings nor their accustomed standards of living. Giving up luxuries, and even comforts, now in order to save will provide resources for postwar spending.

What can the college student do to assist in providing \$100 billions for war?

First and foremost, the college student can buy War Savings Bonds and Stamps -- from money that would otherwise be spent, not saved. Economies are comparatively easy when every one is in the same position. Many of the things that the college student "must have" are essential only because everyone else has them. If no one has them they will not be missed. It is, of course, important to maintain personal efficiency and health, to keep up educational standards. Personal appearance must be maintained for the sake of morale. But with a little planning this can be done. Most college students spend a little every day on nonessentials. It may seem too trivial to save, but it all counts.

Passive saving has none of the appeal of action. But it is an essential first step. It should not only be possible for college students to live as simply as their brothers in the army camps and their sisters in the Waves and Waacs. No student who has given the matter serious thought would want to maintain accustomed standards.

Once a student has set up his own standard of savings he can persuade others to join him. It is not merely an individual problem. Many savings can come from simplifying group activities. In some instances the entire student body may be involved. Such group savings often yield substantial sums.

If others are to be persuaded it is important to make the reasons clear. Students are accustomed to asking "why?" This involves a real understanding of the fundamental fiscal problem. Such understanding does not require years of study. Reading some of the following list of books and pamphlets will help.

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 - no.52 "How Shall We Pay for Defense?" (1941)
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 - no.64 "How to Check Inflation" (1942)
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- Taxes for Democracy, leaflet pub.biweekly by Tax Institute, (Univ.of Pennsylvania, Phila.)
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Prepared by Mrs. Harry D. White
and submitted sometime in November,
1942; received for filing April 22, 1943.

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Rec'd for
filing 4/12/40

Not many people, over and above those immediately around him, are aware that Henry Morgenthau, Jr. is quietly on the way to being the greatest Secretary of the Treasury ~~the United States~~ ~~the Government~~ has had. The competence of his financing is not something the general public can judge. That he has gone in other respects away beyond the limits within which former Secretaries of the Treasury were content to function is a fact better known to Labor, France, Britain, China, and Russia than to the average American who puzzles over an income tax. Morgenthau is a man who has grown in office and whose office has grown with him.

That the news--and in the welter of changing personalities that is Washington such a record is news--has not penetrated beyond the Treasury walls stems partly from an unfavorable press. Let alone the fact that Morgenthau's name must always be connected with money out of pocket and therefore touch off an unpleasant response, knowingly or not, the press has contrived to sharpen the reaction. Mr. Morgenthau is not encouraging to newspaper men. Nor does his personality lend itself to colorful writing. He is not genial. He does not boast the charm that captivates. He is neither affable nor chatty. He is no hail-fellow-well-met. On the other hand, neither is he heavily impressive in the professorial way, nor is ^{he} the shrewd businessman type. He is diffident. He is exacting and exact. He is carefully correct in dress, manner, speech, and conduct. And there is nothing in all that to capture the imagination or make for a darling of the press. Unless you appreciate whence these characteristics stem. Unless you know

that here is that rara avis an upright man, proud and jealous of his rectitude.

Secretary Morgenthau is supremely conscious of the greatness of the office entrusted to him. He is determined that there shall be no smallest blot in his execution of that office. So deep, indeed, is his concern with the right, that when he entered the Treasury, he put himself beyond temptation. He divested himself of all his securities and placed his money in government bonds, being impelled to the action by the thought that no considerations of self-interest must influence his financial policy.

In the execution of his office he has never deferred to wealth or power. He has not blinked at tax evasions by the big fellows. He did not say, "Soak the rich!" But he did lay down the policy "Go after the big fellows!" And the Treasury Tax Division went for them hard. The Annenberg case is one that will be remembered. It is but one of many. Never before in the history of accounting have business firms and private individuals been so careful to be accurate in filing their income taxes.

For with this new even-handed justice there is no such thing as having a friend in court. The personal uprightness of the Chief permeates the Treasury. Honesty perforce becomes the best policy since there is no getting around Treasury men. Amid the thousands of revenue officers and alcohol and customs agents there is doubtless some ^{small} degree of corruption, but in the main the Treasury's reputation ^{for} incorruptibility is so great that ^{nobody} ~~no one~~ even makes an attempt at bribing someone to fix things up.

Curiously enough, instead of the conservatism that is so apt to go with unbending character, Morgenthau has a distinctly liberal ~~leanings~~ ^{leanings}. His sympathies are such as do not often characterize men with an independent income. He has consistently repudiated, for example, the sales tax, which falls heavily on the lower income groups. Although he himself would be hard hit, he has always advocated steeply progressive taxes.

The common man is much on his mind. It will be news to many that Secretary Morgenthau has sat in on labor meetings and that Philip Murray is no stranger in the Treasury. Morgenthau is probably the best friend Labor has in the Cabinet. The public does not know it, but the labor leaders do. They have made good use of the knowledge.

The press has tagged Morgenthau with a reputation for economy on account of his persistent efforts to reduce expenditures. But here again the press has been unjust. It has not pointed out that Morgenthau never wanted to cut where cutting meant hardship on the underprivileged. Throughout the depression years he favored not less but more funds for relief, for housing, for CCC and NYA. He favored increased old-age pensions, unemployment and health insurance. He ~~was~~ always was and is a strong advocate for the general adoption of dismissal wages. And, finally, he has insisted on paying high interest rates on the savings bonds which the mass of people buy, while paying lower interest rates on bonds bought by banks and large owners of wealth. Every year he has led the fight to close the loopholes which make it possible for special privilege to avoid paying their just share of taxes. He has favored

higher estate taxes, elimination of tax-exempt features in government bonds, and a number of other tax provisions designed to force the higher income groups to pay their just share.

In the last several years Morgenthau's interest in Labor and the common man has been somewhat subordinated to his passionate interest in the war. Long before Germany invaded Poland, long before the catastrophe of Munich, he was aware of the growing might of fascism and the necessity for stopping it in its tracks. He repeatedly urged the President to lift the embargo on arms to Spain, to stop the shipments of scrap iron and oil to Japan, to support China in her struggle against Japan. He bought large quantities of Loyalist Spain's silver stocks so that she might buy the sinews of war. Throughout 1938 he labored to secure a loan for China. As early as 1933 he sought to promote good relations between the United States and Russia.

Since Russia's entry into the war he has left no stone unturned to get necessary shipments of war materials expedited to that country. It is the Treasury Procurement~~is~~ Division's responsibility to purchase all supplies for Lend Lease except food and armaments. Machines and machine tools fall under this category, also raw materials, barbed wire, steel rods, and dozens of other items. ~~Recent~~ Lend Lease shipments to Russia were for one reason and another being delayed. The Russians, worn out going from office to government office to find out the reason why, in despair finally approached Morgenthau. His response was instant.

He had an investigation made and a memo prepared showing the exact number of days that elapsed between each step in the process--

between submitting of the requisition and approval of the requisition; between approval of the requisition and placing of the order; between placing of the order and filling of the order; between filling of the order and arrival at point of shipment; between arrival at point of shipment and actual loading of the goods on board. The picture was startling. It showed inexplicable and unwarranted delays. The Secretary took the matter up with the President, who told him to push through on it. Morgenthau immediately called the various heads involved, and as a result things began to hum. Weeks were cut to hours. Orders were placed within 24 hours after requisitions were approved, and requisitions were approved within 48 hours of being submitted.

Of all this the public knew, and perhaps knows, nothing. And this is typical of the way Morgenthau operates. It was, for instance, only a plane crash involving a Frenchman that gave the public a hint of the part Secretary Morgenthau was playing in the expansion of our airplane industry.

Back in 1939 the President had given Morgenthau the responsibility of helping the British and the French to obtain planes in this country. The industry was then in its infancy. The British and the French were pressing their needs, but there were a multitude of obstacles to speedy production--not the least amongst them the confusion created by competitive bidding. Secretary Morgenthau insisted on unified purchasing missions from each government. He insisted on the elimination of competitive bidding between the two countries, inasmuch as competitive bidding only delayed proceedings. The British and French purchasing missions

were formed. Their leaders met almost daily in Secretary Morgenthau's office. And daily the Secretary labored to expedite production while preventing exorbitant charges. Since the British and French Governments were in no position to bargain, they were vulnerable, but while protecting them from overcharge, the Secretary strove all the time to get a fair price and adequate security for the industry. The Secretary was no novice where planes were concerned. He had been an enthusiast for years, having traveled almost exclusively by plane since entering on his office, and having built up the plane division of the Coast Guard, then under the Treasury. He visited many plane factories and ferreted out all sorts of obstacles to progress. It was he, too, who obtained for our factories the British Rolls Royce motor patent.

A passionate desire to help in the war effort has characterized Morgenthau's activities since Pearl Harbor. He has pushed through on a dozen fronts with the same executive drive. An episode in point concerns a group of unemployed automobile workers, displaced by the stoppage of automobile production.

One morning----

If passionate interest in the war effort is one side of the coin, Morgenthau's loyalty to the President is the other. A driver at all times, he will wear his staff out pushing through on the least request the President makes. Nights, Sundays, holidays mean nothing to Morgenthau when he is working on something for the President. The Secretary's home is a frequent after-hours and Sunday place of business for members of his staff, and there is a special earnestness and dispatch whenever it is business for the President.

The source of that loyalty is not political. There is on the part of Morgenthau an almost hero-worshipping attitude towards the President that dates from long before Washington. Morgenthau wants nothing from the President except the right to serve him. He has gone as high as he wants to. He seeks no elective office, and if there is an appointive one that he hankers for, it is not one that carries with it prestige, but rather an opportunity to serve. Very wealthy in his own right, and having made good by his own efforts in the various fields of farming, publishing, and state conservation as well government finance, he needs no favors from any man. He asks none for himself and none for his family. Typical of his attitude in such matters is his conduct with respect to his sons. The younger, Bob, an Amherst graduate, went from school to the Navy--and not to a desk job, either. He took service on a destroyer, where he has risen by virtue of merit to . The elder son, Henry, a lad of artistic temperament and little adapted to the crudities of Army life, entered the Army as a private nevertheless. Neither boy asked to have his path smoothed, and Morgenthau would have felt badly if they had. Mrs. Morgenthau, a

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person of real ability, ~~there~~ holds no position in the limelight. Since the war she has been working very hard without salary at a full time job in the War Bonds Section of the Treasury.

Treasury officials have themselves fallen under the category of family, and Secretary Morgenthau will ask no mitigation of war sacrifices for them either. He has lost many good men because he would not ask to have them deferred. Only in the case of men over 40 and then only where they have been important cogs in the Treasury machine has he yielded to the temptation of discouraging anyone from entering the armed forces.

The easy-going pace to which Treasury officials were accustomed in the pre-Morgenthau era has long vanished. It disappeared shortly after the advent of the Secretary. The Chief is himself a hard worker who expects much of his staff, and his staff necessarily pass the tempo ~~along~~ down. What else is possible when the Secretary demands immediate action, when he is hot on the telephone trigger, when minutes are to him what days are to other executives? It is an all too familiar matter to hear him say, "Can you have this ready by three o'clock?" Or "Is tomorrow morning pushing you too hard?" Or "Do you have the evening free to discuss this?"

Morgenthau is not a man who can leave a thing undone. It preys on his mind until he has assigned the task to someone and got things started. He is apt to reach for his bedside dictaphone at any hour of the night, and first thing in the morning one member or another of his staff will find on his desk a neatly typed inquiry or request for a report or for action of some sort. Morgenthau no sooner comes to a decision with his staff than he reaches for the 'phone to arrange a conference, pursue an inquiry, or obtain the co-operation of some Cabinet Minister. He stays

with a problem. He doesn't drop it till he is through with it.

For all the pressure, Morgenthau manages, nevertheless, to inject a genial note into his staff meetings. He is perhaps more genial here among men who have worked with him a long time than he is in any other public connection. At staff meetings, which are frequent, he is quick and ready-witted because he feels at home. He laughs easily, and often at himself. The sense of pressure, for all that, is never absent. And pity the man who has failed to carry out directions or ~~resorts~~ resorts to alibis.

A hard worker, a hard executive, yet a man who asks more of himself than of anyone else, Morgenthau has steadily grown with his job. When the Presidential appointment was announced, the men of Wall Street raised their eyebrows. What did Morgenthau know of financial and fiscal problems? He had been in public life, to be sure, had had some months of successful experience with the Farm Credit Administration. But he was neither banker, financier, businessman, nor economist. He was not even a lawyer. They knew him as a gentleman farmer--a neighbor of the President's at Hyde Park--and what sort of man was that to put in the office of Alexander Hamilton, Simon Chase, and Andrew Mellon! What sort of man to fill the chair sacred to the financial fraternity! And in critical depression days, too.

They knew the office, but they did not know the man. They knew neither his terrific drive, his executive ability, nor his capacity to learn. Recognizing better than any of his critics his own inexperience in financial, banking, and fiscal matters, Morgenthau

called to his assistance the most distinguished men in the fields. He surrounded himself with men who could teach him. He learned quickly and well.

The men of Wall Street do not raise their eyebrows today. They know they were mistaken in their man. They don't like him. That is too much to expect when Morgenthau has deprived them of a dominating influence in fiscal policy and, shifting the financial center from New York to Washington, has given back to the people the control of monetary and banking policy. They cannot like the man who doesn't play their kind of cricket; who stands for increasingly lower interest rates on the public debt; who, irrespective of pressure and criticism, at all times puts public welfare above special interests. They do not like him, But they respect him. They know he has made good, ~~more~~ better than good. Chase's task in financing the Civil War was much smaller. Mellon had not one-tenth the problems. Henry Morgenthau/^{in a few months more} will have rounded out ~~in a few months more~~ as Secretary of the Treasury a decade fraught with the most difficult monetary and fiscal problems this country has had to face.

Stabilization Fund Bill - Approved by Senate

THE SENATE ACCEPTED BY A VOICE VOTE A HOUSE AMENDMENT TO THE
\$2,000,000,000 STABILIZATION FUND EXTENSION, FORBIDDING ITS USE AS A
CONTRIBUTION TO AN INTERNATIONAL BANK, AND FORWARDED THE MEASURE TO THE
WHITE HOUSE.

4/22--S1234P

April 22, 1943.

Dear Mr. Somers:

I want to thank you for the expeditious way in which you handled the legislation to extend the Stabilization Fund. I have read the speech you delivered on the floor of the House and I wish to compliment you upon it.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Andrew L. Somers,
House of Representatives,
Washington, D. C.

Copies in Diary

Initialed copy to Sullivan

JLS:kb

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

APR 22 1943

TO Secretary Morgenthau
FROM Randolph Paul

I am not sure whether you have been advised that the House considered and passed our bill, S. 319, to authorize the acceptance of a permanent loan to the United States by the Board of Trustees of the National Gallery of Art. The bill was presented to the President for his approval and became Public Law No. 32.



[PUBLIC LAW 32—78TH CONGRESS]

[CHAPTER 46—1ST SESSION]

[S. 319]

AN ACT

To authorize the acceptance of a permanent loan to the United States by the Board of Trustees of the National Gallery of Art, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized and directed to receive into the Treasury from time to time as a permanent loan by the Board of Trustees of the National Gallery of Art to the United States sums in cash of not to exceed \$5,000,000 in the aggregate, and to pay interest on the principal amount of such loan at the rate of 4 per centum per annum, payable semiannually. Such interest is hereby permanently appropriated for payment to the Board of Trustees of the National Gallery of Art.

Approved April 10, 1943.

APR 22 1943

Dear Father O'Donnell:

Reference is made to your letter of April 18 and to our recent conference.

I have had a survey made of the present status of the accounts in the name of your sister, Mrs. Adolfo G. Graziani, with the Guaranty Trust Company and the National City Bank of New York.

Our investigation confirmed that at the present time the account at the Guaranty Trust Company has a balance of approximately \$56,000. Likewise, the two dollar accounts at the National City Bank have balances of approximately \$47,000 and \$13,000 respectively, while the two sterling accounts with that bank have balances of approximately £18,000 and £5,000 respectively. It appears with respect to all five accounts that the only persons having drawing authority are your sister and her husband, the latter being authorized to make withdrawals pursuant to powers of attorney on deposit with the banks. I do not believe, therefore, that it is presently possible for you to effect transfers out of any of these accounts even for the purpose of establishing a trust of the type which you have in mind, inasmuch as the banks would not recognize signatures other than those of Mr. and Mrs. Graziani.

In conformity with the provisions of Executive Order No. 8389, as amended, each account is blocked as Italian, since Mr. and Mrs. Graziani reside in Italy, and Mr. Graziani is presumably an Italian citizen. Accordingly, no transfers may be made from the accounts without a Treasury license. Pursuant to General Ruling No. 12, a copy of which together with accompanying press release is enclosed, any transfer or purported transfer which might be made of any part of the balances in question would be wholly null and void unless licensed by the Treasury Department. It is the Treasury's policy at this time not

- 2 - APR 22 1943

to approve any transfers from accounts of this character based upon payment orders emanating from Italy. We feel, therefore, that adequate safeguards have been established which will prevent unwarranted disposition of these funds.

I have given special instructions to have any applications for licenses involving these accounts referred directly to our Washington office.

The original documents which you left with me are returned to you herewith.

With personal regards,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Rev. J. Hugh O'Donnell, C.S.C.,
President,
University of Notre Dame,
Notre Dame, Indiana.

File direct to Pehle 4/23

Copies to A

Enclosures

DKehl:IGAlq:JWPehle:cwh 4-21-43

Holy Cross College
Brookland, D.C.

Sunday (April 18, 1943)

My dear Mr. Morgenthau:

Permit me to thank you for the very gracious reception you accorded me last Friday and for the promised consideration you will give my request in behalf of my sister, Mary Gertrude Graziani, of Luna and Genra, Italy.

On further reflection I should say that it was the intention of her husband to give to my sister outright, the impounded holdings. In a word, the money is hers. It is deposited in her name and, therefore, she would have the right to do with it as she pleased, were it not for the war. The personal letters I left with you will, I believe, confirm this. And, as I told you, she has never renounced her U. S. citizenship.

In appreciation of your kindness and with cordial greetings, I remain

Sincerely yours

/s/ J. Hugh O'Donnell, C.S.C.
Notre Dame, Ind.

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

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

Date: April 22, 1943, 10 a.m.

NO.: 576

This is message TF-110 of April 17 from Mr. Adler for the Treasury Department.

On April 13 the Board was informed by the Ministry of Finance that a temporary measure has been drafted by which

9 (1) For the duration of the war foreign exchange would be converted by diplomatic and consular establishments in China at the official rate plus 50 per cent; and

(2) The Central Bank and not the Board would hold in a separate account foreign exchange received from diplomatic and consular establishments. All transactions connected therewith would be handled by the Central Bank which would also advance the national currency. After the war the account would be settled.

A reply has been made by the Board to the Ministry of Finance noting its proposal and requesting clarification of one or two details of a minor nature. It would appear that no modification of General License 75 would be necessary under the proposed arrangement since the consent of the Board has been obtained.

In connection with telegrams nos. 527 of April 11, 9 a.m. and 549 of April 16, 2 p.m., sent by the Embassy, the foregoing is of interest.

VINCENT

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 22, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Stabilization Fund - The House yesterday approved and returned to the Senate the bill extending the Treasury's \$2,000,000,000 Stabilization Fund for two years, with an amendment preventing its use as a contribution to an international bank. In recommending the amendment to the House, however, both Republican and Democratic members of the Coinage, Weights and Measures Committee emphasized the fact that this action did not mean that they were in any way opposed to an international bank, nor even that they were seriously afraid the Treasury would attempt to use the fund for such a purpose. In fact, speaking for the Republican Committee members, Representative Reed told the House, "The Secretary of the Treasury has assured your Committee that no such action would be taken by him without first obtaining the approval of Congress. From our past experiences with that official, we, of the Committee, have confidence that he means what he says." Representative Andresen also saying that "members of the Committee have confidence in Secretary Morgenthau and his promise," urged inclusion of the amendment simply "to protect him and his successors and in order to avoid any misunderstanding as to the intent of Congress." In recommending passage of the bill to the House, Chairman Somers of the Coinage Committee earlier had stated that his Committee was "unanimous in complimenting the Secretary of the Treasury on the manner in which he has handled this Stabilization Fund." "I am very pleased to report," he added, "that it is one of the financial agencies of the Government that shows a profit."
2. Tax: Pay-As-You-Go - Other financial issues on Capitol Hill, however, did not reach as successful or cordial a conclusion yesterday. After rumors of complete accord among the special compromise tax committee had encouraged hope of joint action by both Democratic and Republican members in recommending a bill to the House, all negotiations suddenly collapsed after what was to have been their final conference

yesterday morning. If reports leaking from Committee meetings can be credited, the plan virtually agreed upon Tuesday night was the so-called First Doughton Plan, providing for the application of 1941 tax rates to 1942 liabilities, which, it is said, would result in the cancellation of approximately 50% of the 1942 tax. Since this plan was primarily sponsored by the majority party, the only logical explanation of the sudden deadlock is an inexplicable "change-of-heart" overnight on the part of the Republican members of the Committee. As matters now stand the only outcome of these meetings, which started so hopefully last Friday, is the agreement to reopen the whole tax issue on the floor of the House, probably on May 3, one week from this Monday. It was further agreed by the group that whichever bill is presented to the House by the Ways and Means Committee will not be discussed under a "closed rule" but will be open to the introduction of a substitute measure. Republicans are expected to support the Carlson-Ruml Plan again and also a measure, which they submitted as a compromise in the special committee meetings, calling for 75% forgiveness. The House Ways and Means Committee, on the other hand, is expected to present the First Doughton Plan to the House instead of the original Ways and Means Committee Proposal which was recommitted following defeat of the Ruml Plan on March 30. In statements made after the compromise meetings broke down yesterday, both Democrats and Republicans accused the other side of holding out for a plan which would impose undue hardship on the lower income brackets, a charge which is perhaps a foretaste of the trend of House debate when the issue again reaches the floor.

NOT TO BE RELEASED - TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

COPY NO. 13

OPTCL NO. 131.

Information received up to 7 A.M., 22nd April, 1943.

NAVAL.

-Photographic reconnaissance of KIEL on 20th showed that the aircraft carrier GRAFF ZEPPELIN had left. One of H.M. Destroyers sank a small ship in the SICILIAN channel yesterday. 2 outward convoys were attacked by U-Boats south of GREENLAND yesterday. 2 ships have been sunk and a third torpedoed.

MILITARY.

TUNISIA. To 7 P.M., 21st. 8th Army. 19th. Our attack which started at 9.30 P.M. was made on the enemy's position in the ENFIDAVILLE area. ENFIDAVILLE itself was occupied shortly after the attack began and patrols were pushed forward up the coast road 3 1/2 miles towards BOU FICHA. At the same time a firm base was secured in the area 3 miles north-west of ENFIDAVILLE, from which our tanks operated north and north-west in face of heavy fire from artillery and mortars. A few enemy tanks and a considerable number of infantry were reported just over 2 miles south-east of MDEKER. Our general line of advance was kept up to the west of the ENFIDAVILLE area. On the left flank forward elements of our armour operated in the region 6 miles north-east of DJEBIBINA. 20th. All the ground gained as a result of the previous night's fighting was securely held in the course of the day. 4 enemy counterattacks were all successfully beaten off. Very many enemy were killed and approximately 800 prisoners were taken. 21st. Very bitter and confused fighting for TAKROUNA, whose capture still uncertain. 4th Indian Infantry Division driven off summit of DJEBEL GARCI but hold southern slopes. 1st Army. On the 19th/20th, in the French sector, enemy activity was reported in the area 8 miles south, south-west of PONT DU FAHS. On 20th, British Infantry occupied a ridge 3 miles east of MEDJEZ EL BAB. 20th/21st. Enemy attacked 5th Corps in MEDJEZ EL BAB area in at least brigade strength, supported by 50-70 tanks. Some infiltration south-east of MEDJEZ EL BAB. After confused fighting all our positions firmly held and by dawn enemy were starting to withdraw. Heavy casualties inflicted and 25 tanks destroyed. All are now clear except small locality where some infantry and tanks are being mopped up. At least 450 prisoners taken.

BURMA. In Upper CHINDWIN, there has been increased enemy activity in the PAUNGBYIN area. Reported that Japanese have crossed to west bank of CHINDWIN River at one place north of PAUNGBYIN.

AIR OPERATIONS.

WESTERN FRONT. 20th/21st. STETTIN. 782 tons dropped including 161 4,000 pounders and nearly 12,000 30 pound incendiaries. Clear visibility, bright moonlight, considerable visual identification possible. Main attack 45 minutes. Bombing well concentrated and particularly fierce fires in the docks area with smoke to 10,000 feet. Ground defences moderate at first but apparently overwhelmed later. A photographic Spitfire on the 21st reported city centre completely hidden by smoke from large fires still burning.

ROSTOCK. 117 tons dropped. Many fires were started but Heinkel Works were hidden by effective smoke screen. Reconnaissance on 21st reported smoke still rising from the old town.

BERLIN. About 8 tons were dropped causing fires which included a large one which took firm hold. 21st. 10 escort Venturas attacked ABBEVILLE Railway Centre. Enemy casualties 1,03. 3 Venturas and 2 Spitfires missing. 21st/22nd. An enemy aircraft operated over ABERDEENSHIRE. 13 fires were caused at ABERDEEN, including gas works. 25 fatal casualties so far reported.

TUNISIA. 19th/20th. Wellingtons again attacked 2 landing grounds dropping 40 tons of H.E. 3 missing. 7 JU 88's attacked EL DJEM landing ground, destroying 2 Bostons on the ground. 20th. A bomb total of 80 tons was dropped by Allied Aircraft on 6 landing grounds. During offensive sweeps in the TUNIS-CAPE BON area by Spitfires and U.S. Fighters. Enemy casualties were 19, 1, 5.

April 23, 1943
9:30 a.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mr. Gaston
Mr. Graves
Mr. Smith
Mr. Albee
Miss Elliott
Mr. Peabody
Mr. Buffington
Mrs. Klotz

H.M.JR: I will do this thing in the order which comes first, whatever it is. I thought if my fellow-travelers-- (Laughter)

MR. SMITH: Come again? (Laughter)

H.M.JR: ...would be ready - you know what the expression means?

MR. BELL: No.

H.M.JR: A "fellow-traveler" is a Communist. (Laughter)

MR. SMITH: A light Communist. (Laughter)

H.M.JR: Anyway, I thought we could leave here at eleven-thirty today - and I have provided the lunch if you all can eat chicken - which would put us into Chicago at two-fifteen Chicago time, and I thought it would be nice if some of the people from Chicago would come out and I could spend an hour with them at the airport.

MR. ROBBINS: I think that is fine.

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H.M.JR: If you people - I mean, I would like both War Savings - a mixture. If there is a good lady, we will have her come out. (Laughter)

MR. GASTON: Have one Secret Service man there. (Laughter)

H.M.JR: For me to talk to?

MR. GASTON: Yes.

H.M.JR: All right. (Laughter)

I have a lot of suggestions; I am full of them this morning, Dan. Who is going to be the anchor here? I mean, who should - on War Savings, I mean - one person.

MR. BELL: An anchor for what? War Savings?

H.M.JR: I mean War Bonds. I want some one person. You will be in charge while I am gone; you are acting. I mean, a thing like this - I am going to make a number of suggestions.

MR. BELL: As you go along--

H.M.JR: This morning, and as I am out in the field.

MR. BELL: You can contact me or Robbins, either one. I don't care.

H.M.JR: I will be wanting to talk to you.

MR. BELL: You will probably be talking to both of us, won't you? Or aren't you--

H.M.JR: Let me run through it and, for the moment, both of you make notes. Somebody, for instance, has to phone to Chicago and tell them. Who will do that, you or Robbins?

MR. BELL: I will do it.

H.M.JR: You decide - you are the boss when I step out of here.

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MR. BELL: I will do it or see that it is done.

H.M.JR: You can tell them we will be there at two-fifteen, Chicago time. Then we will contact - it is an hour and a half from there to Cedar Rapids, so--

MR. BELL: You would leave there at three-fifteen, then?

H.M.JR: No, say four o'clock.

MR. BELL: I thought you said an hour.

H.M.JR: I think it will be longer than that.

MR. ROBBINS: At your convenience. If you leave this early, you can take anything from three to four hours and still get in in time.

H.M.JR: Somebody say to Gamble that we will get to the other place around five or five-thirty.

Let me run through this.

MR. BELL: Say leave not later than four o'clock.

H.M.JR: You and Robbins can get together and decide who will do this. Is that all right?

MR. BELL: Yes.

H.M.JR: Now, with Congress not here, and the West Coast not so good, I would like to get the feel of the organization. I think I will go on to the West Coast. I talked to Bell last night and I asked him to phone Mr. Day whether he wanted me, you see. I don't know whether Bell has told you--

MR. ROBBINS: We were both on the wire.

H.M.JR: And Day sent a wire and said he couldn't get the Opera House Tuesday night, but could Wednesday. I

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wasn't so much interested in San Francisco as I was - when should I go, and where are the worst places in the Federal Reserve District - whatever that district is.

MR. BELL: He didn't reply to that, but I assume what he said over the telephone last night was sufficient reply. He said - just talking on the telephone - he felt San Francisco was the place you should come.

MR. ROBBINS: If you can only be one place, he was sure that San Francisco was the right place. If you could be two places, he was debating whether you should go into the Northwest, or Southern California, as the second place.

H.M.JR: Where are the things the worst?

MRS. KLOTZ: Southern California. (Laughter)

H.M.JR: Seriously, Harold, where do you think they are the worst?

MR. GRAVES: Well, I would think the place for you to go - I really can't answer that question - where I think they are the worst - because I don't know, but I think the place for you to go is San Francisco.

H.M.JR: Granted we go to San Francisco, but they say here they can't have me there until Wednesday night. That gives me a lot of time. Now, is it Washington or Oregon which is bad?

MR. ROBBINS: Washington is fine - outstanding - Oregon is not bad, relative to the Twelfth District.

MR. BELL: Northern California, he said, was the worst spot in his whole district.

MR. ROBBINS: It is lagging. May I inject a thought here? This is by way of information, and also some small amusement. This is a wire from Mr. Grunigen on the Coast.

H.M.JR: Grunigen?

MR. ROBBINS: He is Mr. Day's right-hand man on activities.

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He said, "Wiring our regions as follows: 'Please advise chairmen and administrators regarding Morgenthau's press statement to effect Twelfth District directly facing war zone is trailing nation. Some of you asking what's the answer. Telephoned Robbins, Buffington, told them I was sore, that we were proud of our position on basis performance and past record. Three hundred nine million in December from other than banks broke all existing records, first nine days this campaign we have raised four hundred million or twenty three percent over entire campaign showing in December. Told Washington that when they tell us we are twelfth on basis past performance we will hang our heads. Until then despite handicap branches and agencies widespread district and all, we will attack with renewed vigor any smugness, complacency, or soldiering on part of large or small investors. Our heads are not bowed. We are thrilled with your field reports. We will shoot at the quota, come in strong at the finish, and say it with results and not with statistics."

H.M.JR: It is like the telegram I sent the President last night with the help of a Spanish student, on the tax bill. I said, "Hasta la vista, amigo mio," which means, "Until I see you again, my friend." It took us only fifteen minutes to work it out. (Laughter) I hope it won't take him that long. (Laughter)

Well, Peabody was here yesterday and I told the newspapermen off the record - they asked why I was saying that, and I said I hoped it would make them mad and that they would get down and dig. Isn't that what I said?

MR. PEABODY: That is right.

H.M.JR: Evidently it has had a perfect result. That is a good telegram. What I can do is this - we could go five or six hundred miles Sunday night - always weather permitting - and we can go as far as Cheyenne, or we could go north if you wanted me to go, say, through the Dakotas and out that way to the State of Washington and then down.

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MR. PEABODY: I was going to say, Mr. Secretary, it might not be bad to have one bad point, which would be San Francisco, and put in a good point in the territory so that you would have an opportunity of setting up a little competition between various regions, and be able to pass out some compliments. What I--

H.M.JR: What I wanted to ask, the only thing that I was worried about was that if I had gone out there, and the thing got worse, I didn't think it would be so good. But I should think with this Japanese thing the thing would get better. Wouldn't you think so?

MR. SMITH: It is getting better now. Of course, it will fall off as soon as that story is dead.

H.M.JR: What do you think of my going out?

MR. SMITH: I think it is a good idea - cover a lot of territory. I can't answer whether you will - whether it will fall off after you have been there, but my inclination is that it will, but I don't think that is serious; it will fall off simply because the story is dying. There is a big impetus now, and as long as they can keep it alive, it is going to keep it up.

H.M.JR: You wouldn't worry if it got awfully good, though?

MR. SMITH: No.

H.M.JR: Well, you see, I can do it either way. I can swing north and do Washington, Oregon, and northern California and get down to San Francisco by Wednesday night, or I can do the southern route and work up. You men who know these things - Miss Elliott - you people who know--

MISS ELLIOTT: I hope very much you will go to Washington because I think those people have done such a grand job. It would be wonderful and they probably would do even better in the last lap of the fight if you had been there. They have got the best women's organization in the United States in Washington.

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MR. GASTON: Who is in charge there?

MISS ELLIOTT: Mrs. Young.

MR. GRAVES: Carl Richards is our manager.

MISS ELLIOTT: The thing about Washington that I think is so wonderful, as far as the women are concerned, is that they have reached individuals. They have done more individual work in Washington than any other State.

MR. GRAVES: When must you decide - must you decide right now?

H.M.JR: No. The only thing pressing is San Francisco, and I would rather make it Thursday night, you see, and then you could figure - well, this is the big hop, and you could figure definitely, say, Tuesday night in Seattle, Wednesday night in Portland, and Thursday night in San Francisco. Those hops are all possible.

MR. GRAVES: I was thinking perhaps you would like to talk with Gamble. He has just come from out there, and he probably has a feel of that situation.

H.M.JR: I will.

MR. BELL: You could talk to Day about twelve o'clock and say that you will come either Wednesday night or Thursday night, that you have this other route in mind, and get some suggestions from him.

MR. GRAVES: Ted was very optimistic about things in Oregon when I talked to him.

H.M.JR: But personally, rather than covering a lot of territory I would rather be in a place, like I am going to Cedar Rapids and stay around there a day or two and get the feeling - I would rather do that than just blow in for a meeting and blow out again. I mean I would rather spend a whole day in San Francisco and just kind of take it easy.

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MR. GASTON: I should think so, too.

H.M.JR: I think I will have to do it Wednesday night. If I did it, I think it would be Wednesday night. I mean, where else - taking one other place besides San Francisco, do you want a good place or a bad place?

MR. GRAVES: You could do both Seattle and Portland.

MR. SMITH: Seattle is an awful good place for propaganda. They get awful busy awful fast. If you could spend some time there, from the standpoint of making noise that is the best place in the country.

H.M.JR: Is it?

MR. SMITH: Yes. They get busy there, and the whole country knows everything in twenty minutes.

H.M.JR: More than Los Angeles?

MR. SMITH: Yes.

H.M.JR: The Hollywood people would turn themselves inside out if we came there.

MR. ALBEE: I have one suggestion. Why necessarily a city? Why not a project of some sort - go out and talk to workmen at one of the big Kaiser jobs, or something like that?

H.M.JR: That is what Gamble wanted. I am not crazy about talking at the opera house.

MR. GRAVES: Of course Kaiser has a lot of projects right at Portland - between Portland and Vancouver.

H.M.JR: Odegard was out there, too.

MR. ROBBINS: He was in Southern California.

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MR. GRAVES: He was in Portland and in Southern California.

Is Mr. Boettiger still in Seattle?

H.M.JR: Mr. Boettiger is Captain Boettiger. He is in Charlottesville.

Anybody got any ideas? Anybody think I shouldn't go?

MR. ALBEE: No.

MR. ROBBINS: No, I think it is fine for you to go, and I think the minimum would be at least two stops. If you are going out that far, it would be fine if you could either come in at the north and make three stops down, or come in at the south and make three stops up.

There is another thought that occurs to me, and this one is coined right here as we sit and talk. I think that if you could get up into Minneapolis it would be a very interesting experience because of the energy that has been put into the campaign there. You would get a field observation which I think would be helpful to you in thinking about the future planning of the organization.

MR. GASTON: I didn't ask him to say that. (Laughter)

H.M.JR: He has a daughter and a couple of grandchildren there.

MR. GASTON: Three grandchildren.

MR. ROBBINS: Mr. Peyton has poured his heart and soul into this campaign and is proud of the result.

H.M.JR: We could go from Cedar Rapids Sunday night to Minnesota - to St. Paul. It is less than two hundred miles - no hop at all.

MR. BELL: You could have a function there Monday and go part way west Monday evening.

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MR. ROBBINS: Taking both angles of the purpose of your trip, one is to stimulate interest and the other is to put you in position to make first-hand observations. I think it would be very helpful.

H.M.JR: Minneapolis?

MR. ROBBINS: Yes.

H.M.JR: I would like to keep away from just the straight luncheons and opera houses and that kind of stuff.

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

April 23, 1943
9:47 a.m.

Operator: Go ahead.

HMJr: Hello. Hello.

Ted
Gamble: Hello, Mr. Morgenthau.

HMJr: Hello. You're on the loud-speaker and I've got a lot of your friends in the room here.

G: Yes, sir.

HMJr: How's your cold?

G: Very good.

HMJr: All right. Gaston wants to know whether you've got your pants on.

G: (Laughs) Yes, sir. You might tell him you just called me away from some Oregon buckwheat - some Iowa buckwheat cakes and sausage.

HMJr: Oh, well, I'm sorry.

G: (Laughs)

HMJr: Have another hot order on me.

G: (Laughs) All right.

HMJr: Ted?

G: Yes.

HMJr: Are you sitting down?

G: No, I'm in a phone booth down in the lobby.

HMJr: Well, can you take it?

G: Yes, sir.

HMJr: All right. Well, I'm thinking of, after I get through there at Cedar Rapids, going on to the West Coast.

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G: Yes.

HMJr: And the people here wanted to know whether you thought I -- I only would have a couple of days -- whether I should do the northern part - or I mean come in via Seattle or come in via Los Angeles.

G: Well, I think it would be much better for you to go in the northwest.

HMJr: Oh, you would?

G: Yes, sir.

HMJr: Honest?

G: I think there's much more to be seen there, Mr. Secretary.

HMJr: You do?

G: Yes, sir, I do.

HMJr: I see. Where - where do they - where could I do the most good?

G: I think you could probably do the most good in - if you're thinking now where the program can be helpful, probably in northern California.

HMJr: Well, how do you get to northern Calif.. - I mean where do you go in northern California?

G: Well, I was thinking of San Francisco and the Bay region district.

HMJr: Oh.

G: If it's a job you want to do....

HMJr: Well....

G:for the Treasury - if it's....

HMJr: Well, I'm not out to have a good time.

G: No. Well, then I think perhaps northern California would be the best place to go.

- 3 -

HMJr: Well, I'd have to - they - they can't - they don't want me there until Wednesday night.

G: Till Wednesday night?

HMJr: So it gives me two other days.

G: Well, you mean they don't want you in San Francisco until Wednesday night?

HMJr: Yeah.

G: Well, if it gave you a couple of extra days, then you could go into the northwest.

HMJr: You really - really think so?

G: Oh, yes.

HMJr: How is Los Angeles?

G: Well, I should say that Los Angeles needs you less than the northern section of the country - northern section of California, and there's less - there's not a great deal to be seen in southern California.

HMJr: What's the matter with San Diego?

G: Well, San Diego and Los Angeles have some aircraft buildings....

HMJr: Yeah.

G:but they don't have the same number of people. They don't have the same percentage of their population engaged in war work that they have in the northwest.

HMJr: Well, where would I go from - where would I go from Cedar Rapids?

G: From Cedar Rapids you'd go to Salt Lake City....

HMJr: Yeah.

G:and from Salt Lake City to Portland.

HMJr: I see. What about Minneapolis?

- 4 -

G: Sir?

HMJr: How - what do you think about Minneapolis?

G: Well, for your - if you're flying, that's not a good trip for you.

HMJr: It isn't?

G: Up through the northwest and across the Dakotas and Montana is not a good way to fly.

HMJr: I see.

G: The best way to fly is to go out across to Salt Lake - across Wyoming and Utah....

HMJr: Yeah.

G:Idaho and into Oregon and then up to Washington, and then down the coast.

HMJr: I see. Well, now wait a minute and see if any - well, we - we could go that Sunday night and still make Cheyenne.

G: Oh, yes. That's all good country from here to Cheyenne.

HMJr: Yeah, and I could - then the next day we could fly over the Rockies....

G: Over the mountains.

HMJr:in the daytime.

G: Yes.

HMJr: Well, now let me see who wants to talk too. Is there anything to see in Cheyenne, any War Bonds?

G: No, there isn't a great deal to see in Cheyenne, Mr. Secretary. There's an air depot there. They have - they put all the finishing touches on the Flying Fortresses in - in Cheyenne.

HMJr: Well, if - if I went to Seattle - I mean I - I don't want to just do the - the "stuffed shirt" thing, you see?

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G: Yes.

HMJr: You be thinking about it, and you could be talking to Bell and Robbins later today. Now how about it - what I should do there.

G: Yes. You're talking about now in the northwest?

HMJr: Yeah, if I go - yes.

G: Yes. Well, I should think that you could do a very fine job in the northwest. You could do a - a lot of good for this whole program by visiting - if you did nothing more than to visit the Boeing Airplane Company and - in the Seattle district, and the Kaiser Shipyards in the Portland district.

HMJr: I see.

G: You would be put in contact with a couple of hundred thousand people....

HMJr: Yeah.

G:who are pretty vital to this whole war effort and who are pretty vital to this whole War Bond program.

HMJr: Yeah.

G: I think, in addition to that, you could do a splendid job visiting with some of the workers in this - Treasury War Finance Committee folks.

HMJr: Oh, yeah. How - how are things coming at Cedar Rapids?

G: Very good.

HMJr: Did they carry my statement....

G: Your statement in - yesterday's statement?

HMJr: Yeah, about going out there.

G: No, they didn't carry that. They carried it in the - they carried it - some of our own material here.

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HMJr: But not my statement.

G: Well, what we had had to say here was pretty much the same as what you had said about coming....

HMJr: I see.

G:to Iowa.

HMJr: I see.

G: They carried it in some of the other Iowa papers. The Des Moines Register carried it, for example.

HMJr: Right.

G: And the - the reception that you're going to receive here, I think, is very genuine.

HMJr: Good.

G: The people are looking forward to your coming. They - as you perhaps know, it's a Republican State. This - it happens to be a Republican stronghold....

HMJr: Yeah.

G:and a great many people have commented to me about how, even to their surprise, the people are looking forward with open arms to your coming out here.

HMJr: I see.

G: I think it's - really, you might almost call it an anti-Administration town.

HMJr: Really? But the feeling's all right?

G: The feeling is excellent. I mean the folks who called on me - I had a number of people call on me yesterday to talk to me about your coming out here. I had representatives of the local Democratic Party here. The Democratic chairman....

HMJr: Yeah.

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G:came over and told me how they felt and, of course, you'd expect them to feel that way. I had representatives of several clubs, including the B'nai B'rith, come over here....

HMJr: Good.

G:and say that they were astounded at the way the people were looking forward to your coming out here....

HMJr: Good.

G:and how well they felt about it.

HMJr: Well, Ted, put your mind on this thing and they may be calling you a little bit later.

G: Yes. Well, now you would have, as I understand it, just two days in the northwest?

HMJr: I - that would be it, and get to San Francisco if they want me at the Opera House - get me there Wednesday night, but I hate to do the Opera House but I guess we'll have to.

G: Yes.

HMJr: I'd much rather go where there's some people doing war work.

G: Yes. Well, I didn't know about the San Francisco thing. That's new to me.

HMJr: Well, I only got this idea about 6:00 o'clock last night.

G: Oh, I see.

HMJr: And Bell sent a tele.. - spoke today, and then he sent word back that, yes, that they could get the Opera House Wednesday night.

G: Yes.

HMJr: What do you think of that?

G: In San Francisco?

HMJr: Yeah.

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G: Now this is to be a public meeting?

HMJr: Sure, and not - we don't want it confidential.

G: Well, I - I mean it's not to be a meeting of - of War Bond workers but it's to be open to the general public.

HMJr: I don't know, Ted. I don't know.

G: Yes.

HMJr: Bell says just as long as it's a full house.

G: Is it - is it also to be broadcast?

HMJr: Well, we - no, I - I - we just got started on this thing. I only got the idea last night that I wanted to go. The fact that Congress adjourned until May 3 is what sort of made up my mind.

G: Yes. Well, I think that San Francisco is, of course, the logical spot on the Pacific Coast.

HMJr: All right.

G: It's the money center; it's the population center; and if you were going to make any appearance on the - on the Pacific Coast you couldn't overlook San Francisco.

HMJr: Okay. Go back - now get a fresh order of buckwheat cakes, will you, please?

G: (Laughs) All right, sir.

HMJr: All right.

G: Goodbye.

HMJr: Goodbye.

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H.M.JR: I think that the thing would be to go on that night to Cheyenne and then go the next day down over to Seattle.

MR. GASTON: The logical way is to go to Portland, then shoot over to Seattle.

H.M.JR: Not on this airway map. You can do it either way.

MR. GASTON: You can go over the hill, but it is a little better to go down the Columbia and then up.

MR. BELL: Would it be better to stop at Denver? Cheyenne is a poor town.

H.M.JR: No, either do Omaha or Cheyenne. I have stayed at Cheyenne.

MR. BELL: It isn't far from Denver. Cheyenne is a poor town, isn't it?

H.M.JR: No, any of those towns are all right. There may be an Army camp where we can stay.

Well now, how are we going to do this? You have a couple of hours to think about it.

Now, the most important thing is, can Smith and Albee go with me.

MR. SMITH: I can. I will go along.

MR. ALBEE: I am supposed to report in Wilmington Monday. I think if you asked them to set me loose, they would let me go.

H.M.JR: Whom should I call up?

MR. ALBEE: William Hart, Director of Advertising.

(The Secretary held a telephone conversation with Mr. Myron Taylor.)

April 23, 1943
9:57 a.m.

HMJr: Hello.

Operator: Mr. Taylor.

HMJr: Hello. Hello.

Myron C.
Taylor: Hello.

HMJr: Yes.

T: Good morning.

HMJr: Hello, Mr....

T: This is Myron Taylor.

HMJr: Good morning.

T: I talked with the Archbishop yesterday about the matter....

HMJr: Yes.

T:and all letters are opened and censored here except those directly to the Cardinal's secretary of state.

HMJr: I see.

T: Those are purely on matters of church affairs.

HMJr: I see.

T: The Archbishop here has - Cicognani has sent instructions sometime ago to all the nuncios in the Western Hemisphere....

HMJr: Yes.

T:not to enclose anything except purely routine church affairs.

HMJr: I see.

T: Now Mr. Welles knows the Archbishop of Argentine. His name is Fietta.

- 2 -

HMJr: Yes.

T: And he's a very dependable person and is said to be quite pro-us, you know?

HMJr: Good.

T: I asked him to send me copies of the instructions.

HMJr: Yes.

T: Also, a list of the packages he's had from there during this year.

HMJr: Yes.

T: And I'll send those on to you when I get them.

HMJr: Thank you very much.

T: The instructions are in Italian. I suppose you've got someone there who can....

HMJr: Yes.

T:translate it.

HMJr: Yes..

T: Yeah.

HMJr: Did you bring up the other matter?

T: The....

HMJr: Refugees?

T: Yes, I did.

HMJr: Yes.

T: And he sent over already - I had already given him a copy of that....

HMJr: Yes.

T:and he sent over to the Vatican to see what they could do.

- 3 -

HMJr: He did?

T: Yes.

HMJr: Well, that's....

T: He's already done that.

HMJr: Oh, he had already.

T: Yes. But I left the letter with him again so he could urge it if....

HMJr: Yeah.

T:he thought well to do so.

HMJr: Thank you.

T: Yeah.

HMJr: Thank you so much.

T: All right.

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H.M.JR: Now, I am to call whom?

MR. ALBEE: William Hart, Wilmington, Delaware - DuPont Company.

MR. BELL: When will you be in San Francisco - Tuesday night?

H.M.JR: No, I can get there Wednesday.

MR. BELL: Wednesday morning?

MR. ROBBINS: When you fly down it will be during the day, and it will be evening when you get there. That is a good long hop. What is it, seven hours?

MR. ALBEE: A thousand miles.

MR. GRAVES: From Seattle. It is eight hundred from Portland.

MR. BELL: You would be in Seattle Monday, wouldn't you?

H.M.JR: Seattle Monday night.

MR. BELL: And Portland Tuesday. Will you be there all day? I would just like the time when you expect to arrive.

H.M.JR: Let's just figure either Seattle or Portland Monday night, and then we could do half a day in Seattle and half a day in Portland Tuesday, and figure we would get down to San Francisco sometime--

MR. BELL: Sometime Tuesday evening.

H.M.JR: Or Wednesday. I would say Wednesday noon.

MR. BELL: By Wednesday noon?

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MR. GASTON: I think it would be more practical to put in that day of Tuesday in Seattle and Portland, probably stop in Portland overnight, and then get a fairly early start Wednesday morning and get in San Francisco around noon Wednesday morning.

MR. BELL: About four hours?

MR. GRAVES: Four hours from Portland.

MR. BELL: He will want to, I am sure, have a lunch if you are going to be there around noon.

H.M.JR: I wouldn't figure on a lunch.

MR. BELL: Not a big luncheon, but he probably would want you to come to the bank.

(Lt. Comdr. Stephens entered the conference.)

H.M.JR: Give me the flying time between Portland and San Francisco, please.

LT. COMDR. STEPHENS: Yes, sir.

(Lt. Comdr. Stephens left the conference.)

H.M.JR: This will be very crowded. I think if we could do the Boeing, unless they have been done too often--

MR. SMITH: The only fear I have got of Kaiser's shipyards is that it has been done so often. Mr. Roosevelt has done it so many times.

H.M.JR: The Boeing has been done so many times. I wonder if we couldn't call up somebody over at Nelson's organization. Does anybody know Charlie Wilson?

MR. ROBBINS: I have met him. He wouldn't be the one to call, anyway. I think we could call somebody like Sidney Weinberg, who is all over the place like the morning dew, and he could probably give us two or three very good suggestions.

- 14 -

H.M.JR: Do you know him?

MR. ROBBINS: Yes.

H.M.JR: Why don't you call him up and say, "If we are in Seattle and Portland what are the things, on the basis - what needs to be pepped up the most?"

I agree that while it is pleasant, Mr. Roosevelt has been to the Boeing and all of these places.

There may be some - like they took me through the Birmingham district in England, and only the big plants--

(The Secretary held a telephone conversation with Mr. Applegate of the DuPont Company, as follows:)

April 23, 1943
10:03 a.m.

Operator: He's coming to the phone, Mr. Morgenthau.

HMJr: You call me.

Operator: Right.

HMJr: Hello.

Operator: Mr. Applegate.

HMJr: Hello. Hello.

R. A.
Applegate: Hello.

HMJr: This is Henry Morgenthau, Jr.

A: Yes, sir.

HMJr: Mr. Applegate....

A: Yes.

HMJr:I - you've been very generous in loaning
Mr. Albee to me....

A: Uh huh.

HMJr:and I'm planning to go out to the West
Coast....

A: Yes.

HMJr:and I wondered whether you could let me
take him along.

A: Oh, sure, I think so. I think that's highly
important, if you think he's doing an ade-
quate job.

HMJr: He's doing more than that.

A: Well, he's a - he's - we like him very much.
He's been doing a splendid job for us, but (laughs)
we think the war effort today is a heck of
a lot more important than what we're doing
right now.

- 2 -

HMJr: Well....

A: We're on commercials. We can get some of our other boys to do it, you know.

HMJr: Well, he'd be very helpful and I'd appreciate it if I could have him for next week.

A: For next week?

HMJr: Yes.

A: Then he'd be back about a week from Monday?

HMJr: Yes.

A: Well, that will be fine.

HMJr: Good. Can I....

A: All right, that would be fine.

HMJr: Can I tell him then that....

A: Sure, you may.

HMJr: Thank you so much.

A: You're welcome. Goodbye.

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H.M.JR: The most interesting thing in Birmingham was to go in a place where they employed sixty people. They took me to all the big places, and I asked to go to the little places. Everybody on the trip - Averell Harriman and everybody - said it was the best thing we did - also the Minister of Supply.

Now, why don't you fellows go into somebody's room and let me do a little work and then you fellows do a little planning.

Now, Dan, I don't know how much you want to do and how much Robbins, but if you can adjourn the thing in there and get down - my instincts are to go away from the Boeing, go away from the big places - places that everybody goes to.

MR. GASTON: I think the thing to do is to put it up to the fellows out there - Carl Richards in Seattle and the man in Portland.

H.M.JR: Yes, but don't let them have me do the stuffed-shirt thing. I mean Boeing has most likely been talked to death.

MR. GASTON: They have shipyards in Tacoma and Seattle.

H.M.JR: I am not particular about Kaiser. Everybody goes out to see Kaiser.

MR. GASTON: It is the Todd Shipbuilding in Seattle.

H.M.JR: Well, Bell, do you mind giving this just a little time, then decide who will work it out?

MR. BELL: All right.

H.M.JR: And, as I said, I think if Sidney Weinberg or somebody there - if they know some place that is dragging its feet--

MR. ROBBINS: All right.

April 23, 1943
10:43 a.m.

HMJr: Hello.

Raymond
Rubicam: Hello.

HMJr: Mr. Rubicam?

R: Yes, sir.

HMJr: How are you?

R: How are you this morning, Mr. Morgenthau?

HMJr: Fine. Look, Mr. Rubicam, I'm going out to Cedar Rapids, Iowa, and then I thought I'd continue out to the West Coast.

R: Yeah.

HMJr: And I wonder if it would be agreeable to you if I took Fred Smith along with me on the whole trip.

R: Well, it's - I want Fred to give you all the help he can, Mr. Morgenthau.

HMJr: Yeah.

R: I told him that I wished he would make some definite kind of arrangement....

HMJr: Yeah.

R:because we - we rely on him here, you see?

HMJr: I know.

R: Now in the last couple of months - and I had a job for him yesterday....

HMJr: Yeah.

R:which also was a war job. It happened to be in connection with that new National War Fund, and there's one - there's a job he could do for me today....

- 2 -

HMJr: Yeah.

R:in connection with another matter.

HMJr: Yeah.

R: And people are coming at us from all angles.

HMJr: Yeah.

R: We have to try to meet as many of those obligations as we can....

HMJr: Yeah.

R:and what I wanted for him to do was to make some specific arrangement....

HMJr: Well, he....

R:and last week he said that you'd fixed on a two days a week arrangement.

HMJr: Well, that's right, but this thing has come up and our bonds aren't going well on the West Coast, and I - I decided last night late that I'd go.

R: Yeah.

HMJr: The thing isn't going well out there, and this is the last week of the drive....

R: Yeah.

HMJr:and then when this drive is over, I told Smith I would talk with him and we'd know better, and then he could take it up with you.

R: Yeah. Well, now what - is Fred there now?

HMJr: Yeah, he's there now, yes.

R: He is with you?

HMJr: He is with me.

R: Yeah. Does he - I wonder if Fred knows that his principal assistant is home ill today - Sherrill.

- 3 -

HMJr: Well....

R: I wonder if I can speak to Fred.

HMJr: Yes, just a moment.

R: Right.

HMJr: Just a minute.

Fred
Smith: Hello. Hello.

R: Fred?

S: Yeah.

R: Fred?

S: Yeah.

R: I don't hear you very well.

S: Yeah.

R: Did you know that Sherrill was home ill?

S: Yeah, he'd....

R: You were there.

S: Why, everything 'is pretty well in order and he....

R: Have you any idea how long he will be there?

S: Yeah, he's coming back Monday.

R: Monday?

S: Yup.

R: You feel that you can take this trip without neglecting anything important?

S: Yeah, I think everything is pretty well in control.

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R: When will you - when will you be back?

S: Late next week, Friday.

R: Friday of next week?

S: Yeah.

R: Well, you know best. I say "okay" if you know that everything is in hand.

S: Well, I think everything is in hand, and I can keep in touch with the office. I've got that - that pretty well set up there now.

R: Yeah.

S: And we've got a lot of stuff that's just a matter of presenting it to the hotels and the cotton container thing is well in hand, and I can keep in pretty constant touch with Harold and Sherrill and I'm sure everything will go all right.

R: Yeah.

S: So the only - and there's no particular new business immediately in the offing, so I'm not....

R: I don't hear you now, Fred.

S: I say there's no particular new business in the offing that I would have to take care of, so it's - I think I could do it satisfactorily.

R: Yes. Well, when you - by the time you come back, you try to have something worked out that's more reliable from our point of view.

S: All right.

R: Okay....

S: Okay.

R:and good luck.

S: All right. Thanks a lot. Righto.

R: Goodbye.

S: Goodbye.

April 23, 1943.

Conference in Secretary Morgenthau's Office
April 23, 1943 -- 11:00 A.M.

Present: Secretary Morgenthau
Mr. D. W. Bell
Mr. H. D. White

Dr. H. V. Evatt, Minister of Foreign Affairs
of the Commonwealth of Australia
Dr. H. C. Coombs, Director General of Recon-
struction and representing the Minister of Finance
Mr. J. B. Brigden, Financial Counselor of the
Australian Legation

Dr. Evatt spoke of his Government's appreciation of the Secretary's invitation to have the Australian experts participate in the conference. He said that Dr. Coombs (who was here for the food conference) and Mr. Brigden would consult with our experts. He also said that his Government was very interested in the general setting in which this International Stabilization Fund might operate. He stated that this war would leave Australia in a very perilous financial circumstance and that they were therefore quite concerned about post-war settlements and other arrangements which might affect their economic status. He wanted to know if the Secretary would throw some light on what those other arrangements might be and how they would affect Australia.

The Secretary responded that the proposal that the Treasury had advanced for discussion by the experts related exclusively to currency stabilization and that the Treasury would naturally confine its discussions to that subject. The Secretary said that other problems suggested by the Minister were outside the range of the Treasury discussions which would be going forward with experts of the various countries.

The Minister then went on to say that he would like to give the Secretary some idea of the financial situation of Australia. Mr. White said that we would be glad to get that information and that we had already asked them for such information. They had promised to give it to us but that we had not received it yet. Dr. Coombs said it was probably his fault but that the information would be forthcoming soon.

- 2 -

The Minister wanted to know whether there was going to be a formal conference on the problem and the Secretary explained that we were merely going to have discussions among the experts with a view to ascertaining the area of agreement. If it looked as though there was a sufficient area of agreement, a formal conference would be called sometime later.

The Australian delegation adjourned to Mr. White's office and Mr. White explained in some further detail the procedure we expected to follow in the discussions. Mr. Evatt said he thought he would like to attend the discussions himself and it might be necessary to have to postpone having them for a week or so. He said that Dr. Coombs would get in touch with Mr. White himself as soon as they could arrange the meeting.

H. D. White

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 23,
1943

TO Secretary Morgenthau
FROM Peter H. Odegard

Attached are excerpts from the reports on Axis short-wave propaganda made by the Foreign Broadcast Intelligence Service of the Federal Communications Commission insofar as they relate to the Treasury Department. As you will see, there is only one direct reference made by the Rome radio on April 14 to your Carnegie Hall speech launching the Second War Loan. But there is a good deal of material calculated to obstruct the sale of government securities to the public, and to undermine the credit of the government.

You will notice also that one of the reports attached ("Bill" on April 20) covers the same material that appeared in the New York Times on April 22. The Times story came from the Columbia Broadcasting System which maintains its own monitoring service and releases direct to the public anything of news value that is heard. The reports of the Foreign Broadcast Intelligence Service, however, are confidential and released to the press only through the Office of War Information and to government departments upon request.

Hereafter we will receive regular reports from the FBIS and I will see that any comment on the Treasury Department is brought immediately to your attention.

For your information, the asterisks in the attached excerpts indicate unintelligible words; parentheses around a word indicate doubt as to its exactness; three dots, as usual, mean deletion of material that is not pertinent.

COMMENTS FROM ITALY

By unknown speaker from Rome to ^{the} N.A. (4/14)

Subject: Carnegie Hall Speech of April 12

"...Mr. Morgenthau's concern for liberty is also somewhat conspicuously absent. In launching the new loan, he makes one remark which gives the whole show away. He says that he wants the people to participate in the task of raising money for the war. If it were not for this democratic desire, it would be quite easy, he says, to get the banks to lend you money.

"Now, this is really priceless. Most of the money, in fact, so far has been got as loans from the banks. But whose money is it? Are Americans such absolute * to believe that the banks possess all the money which they lend to the government? Does the American man of the street really think that in making these loans the banks deprive themselves of a single cent? No. The money is first created by the bank, by a stroke of the pen on the credit of a government bond, and it is then lent to the government, which might just as well have created the money itself and kept the taxpayer's money for itself, instead of handing it on to the banks.

"But this is not allowed in "free America." The people's government is not allowed to finance itself, except when it raises a loan from time to time direct from the people, as now. Why does it do this? To put a check on inflation, that is the only reason. But inflation will come all the same, when the banks decide, at the right moment, to have a run. And Americans may be quite sure that every dollar they subscribe today, will not be worth in purchasing power, fifty cents when the war is over. They are throwing their money away...

COMMENTS FROM GERMANY

By Joe Scanlon, American renegade, broadcasting over Station DEBUNK, which pretends to be in America, (4/15). Everyone knows it is a Nazi station in Germany, however. The first paragraph below is its standard introduction to programs.

Subject: Second War Loan - Redemption of War Bonds and Lend-Lease

"Hello, folks. Hello, girls and boys. Hello, everybody. Hello, Debunk scouts. This is station Debunk, the station of all free Americans. Station Debunk has inside information on choice news items which do not appear in the muzzled press.

"Flash from New York City: Professor William Boyston, the well-known (economist) and economic adviser of the Treasury Department, held a lecture here last night before bankers and financial leaders. In his lecture, the Professor pointed out that, since the outbreak of the war, the federal government has already borrowed such enormous sums of money that the amount of money which the government will pay out for interest on the public debt each year is much higher than the total annual expenditures of the government before the war. The government must also resort to borrowing in order to be able to pay the interest on the already existing debt. Under these circumstances, the Professor emphasized, it is clear that the government will not be able to pay back the money invested in War Savings Bonds until some time in the far distant future... Perhaps our children or our children's children will be able to cash in the War Savings bonds. In the course of his lecture, the Professor disclosed that just as soon as the second war loan drive is over, the government will freeze all money invested in War Savings Bonds. May 1st has been set as the date for freezing the money invested in War Savings bonds. After May 1st, the holders of War Savings bonds will no longer be able to go to the Post Offices and get their money back.

"Flash from Washington, D. C: In Washington, there is a run on the Treasury Department of people who are turning in War Savings Bonds and are demanding their money back. With the money which they receive for turning in their War Savings Bonds, the people in Washington are paying their income taxes. In many small cities, towns and villages

throughout the country, there is a run on the Post Office of people who are (purchasing) the money back which they had invested in War Savings Bonds. Many of these people are also using the money to pay their income taxes. The run on the Post Offices has been caused by the fact that the government plans on freezing the money invested in War Savings Bonds. The original plan of the government was to freeze the money invested in War Savings Bonds, effective May 1st. But in view of the fact that such a large percentage of the population is demanding its money back, it is possible that the government will act suddenly in this matter and freeze the money overnight. There are rumors in Washington that the money will be frozen on next Monday.

"...Flash from Detroit, Michigan: In Detroit, a whispering campaign has been started, suggesting that the workers exercise (stiff) resistance against the Second War Loan Drive. The first people to pass the word along by the whispering method state that President Roosevelt is blackmailing the workers by refusing to permit an increase in wages. The workers are going to get even with President Roosevelt by refusing to buy War Savings Bonds.

(The following excerpts are addressed to King George of England by a "self-appointed ambassador" to the United States.)

"...Your butler, Roosevelt, says that the whole idea of freezing wages is to prevent inflation, but the workers say they don't give a darn whether we have inflation or not, because they have no money on deposit in the banks which would be wiped out by inflation.

"But that ain't the worst, though, George, so far as you are concerned. The workers say that one of the chief reasons why they are getting * increase in wages is because we are supporting you and your subjects free of charge through the Lend-Lease law with nearly all the necessities of life and maybe luxuries. Wherever you go, the workers are up on their hind legs against the lend-lease law, because they say that the Lend-Lease law is preventing an increase in wages.

"And do you know, George, the workers are right? It is the Lend-lease law that is milking America of all consumer's goods. I guess your civilian population never lived as good before in all their life as it is living now. We send you canned goods; we send you agricultural products, sugar, meat, fruit, chocolate, wheat, clothings, shoes, electric washing machines, refrigerators, bread-toasters--we send you everything that your civilian population needs. In fact, persons who have lived a long time in England and just returned from there all say that your civilian population is living a hundred times better now than before. This is causing a lot of ill feeling among the workers here, George, and I wouldn't be a bit surprised if the workers would soon commence a nationwide revolt against this entire idea.

"What the workers would like to know is *** how high the taxes are which your lords and dukes have to pay. The workers here have ** if you would put high taxes on the property and real estate of your lords and dukes, you would be able to pay for your own war and support yourselves. Whenever they bring up that subject, I naturally have to admit that your lords and dukes own nearly every square inch of land and property in Britain and also have to admit that, if you would confiscate this property or put high taxes on it, you would be able to pay for your own war and support your population yourself. But every time that this question comes up, I say what a pity it would be to tax your nobility and how horrid it would be to confiscate their property. I use all my power of persuasion to convince the workers that it is a noble cause to permit your aristocrats to live in luxury, while our workers work their heads off, paying high taxes, and receive low wages.

"And, George, you should hear our farmers (talk at) you and your lords and ladies. You know what the farmers say? The farmers say that they would be able to get higher prices for their agricultural products, if you would pay for what you get from us. The farmers point out that you and your subjects have seven or eight billion dollars invested in stocks and bonds of American cooperations and that you could pay for the agricultural products which you've received from us, if you and your subjects would sell your investments in stocks and bonds of American corporations.

"I try to tell our farmers that it would be just too bad if your capitalists had to part with their gilt-edged stocks and bonds, merely to pay for agricultural products which we send over to you, but despite all of my arguments the farmers keep on saying that the price of agricultural products would be much higher if you would only pay for what you get from us and they also keep on saying they would have the money to pay, if you would only sell the stocks and bonds of American corporations which you and your capitalists owe."

COMMENTS FROM GERMANY

By unknown speaker, station DEBUNK (4/17):

Subject: Second War Loan

"Flash from Washington, D. C. Insiders in the Treasury Department state that the Second War Loan Drive is proving to be a complete failure because the people have no desire to invest their money in War Bonds which the Government will not be able to redeem until many years after the close of the war.

"In view of the threatening failure of the War Loan Drive, the Treasury Department has hastily called together a meeting of prominent bankers and has requested the banks to take over the War Loan off the hands of the government in the hope that the banks will be able to sell them to the public later on.

"Under all circumstances, the Treasury Department desires to prevent the people from gaining the impression that the War Loan Drive is a failure. By turning all those War Bonds over to the banks, the Treasury Department will be in a position to say that the entire bond issue was subscribed for and sold.

"...Flash from Pittsburgh, Pennsylvania:-This afternoon an attempt was made to sell War Savings Stamps to the workers as they were passing out of the gates of a factory near here, but the workers did not buy a single War Saving Stamp. The workers stated that they would not think of buying War Savings Stamps until they had received a substantial increase in wages.

COMMENTS FROM GERMANY

By Joe Scanlon, American, over Station DEBUNK 4/18

Subject: Redemption of War Bonds

"Flash from New York City: Despite all Government denial, the rumor persists in New York that within a very few days, the Government will freeze the money invested in War Savings Bonds. If this rumor should prove to be true, it would mean that the Government would no longer redeem the War Savings Bonds. Bankers in New York are of the opinion that the Government will require fifty to seventy-five years before it will be able to redeem all of the War Savings Bonds. "

"... Flash from Debunk Headquarters: Reports coming in from Debunk scouts all over the country speak of the large number of persons in nearly all cities, towns and villages who are turning in their War Savings Bonds to the postoffices in order to obtain money with which to pay their income taxes. In many post-offices, there are long queues of persons who are selling their War Savings Bonds back to the Government and with the cash dollars which they obtained therefor, they intend to pay their income taxes.

COMMENTS FROM GERMANY

"Bill," a renegade American who pretends to speak for Americans (4/20):

"...Despite all Roosevelt's efforts to put ceilings on prices and wages, the United States is on the toboggan, the soft and easy way which leads to inflation and to ruin, as a result of this mad war."

"...And the war, of course, won't end tomorrow. Roosevelt and his advisers will see to that. There seems no escape, so the best and wisest thing the people who do not want this war can do is to prepare for the worst.

"They can begin by not subscribing to the present loan of 13 million dollars, to help pay for the war. That sounds subversive, but at least it is logical from my point of view. My point of view is simply this: we cannot win the war anyway and would probably be worse off if we did, so anything that will bring it to an end quickly without destroying America, which is not menaced from within (corrects himself), without, but from within, is good.

"...There's plenty of money in the banks; there is more money right now in the United States than anything else. There will be a lot more before this thing is ended. Let the banks buy the loan and let them keep it; they will probably buy it with your money, but it is even better that they do than that you buy it yourselves. Better still, of course, would it be for you to draw your money from the banks and put it in something hard and substantial, and something as free from taxes as possible.

"Of course, no matter what you do, no matter which way you turn, you will not escape paying for the war, you and the nation. All this hullabaloo about prices and wages, inflation money and taxes, boiled down, amounts simply to this-- that there's a mad scramble on to see who pays the least of the bill, which group of the community gets out of the mess with the least sacrifice."

"...The war is costing the United States so much that Americans don't need to worry much about how much it is costing the other fellow. (goes on to describe "crushing burden" of war on Britain and other warring nations.)

"Let's try to visualize the cost of this to the American public during the coming year. There is no need of talking about what it has cost to date or crying over spilt milk. Roosevelt's budget makers reckoned that to June the 30, i.e. during the next fiscal year, the government would spend over 100 billion dollars, most of it on the war, of course, and construction. There's been a great ballyhoo about that in the press and on the air. Obviously people like to hear it.

"...The entire national income during the forthcoming fiscal year is expected to be (\$145), 000,000,000 of which nearly 70% will go to killing your sons, and brothers and fathers and to killing the sons, brothers and fathers of other people. Of course such a big bill can't be paid out of taxes, for you know only about \$35,000,000,000 can be collected in taxes.

"...True, your planners can't get together even on a plan for taxation at the source.*** Last year's taxes * * (the * taxpayers), the millionaires, the Ruml plan or some other plan, 3* . There is no possible way of (raising) this year's taxes (anymore) out of income, even **** income tax payments and * . People went into debt. (They borrowed) it is said nearly a billion dollars.

"...In that way it is estimated that the national debt will be run up to well over \$200,000,000,000 in a year. That is, the government will be borrowing from every one of you some \$1500.00...

"And I'm not going, (corrects himself) taking, into account the local debt. By that time, that is the end of next year, the national debt will be increased by over \$180,000,000,000...

"... to defend the Constitution guaranteeing to all life, liberty and the pursuit of happiness, the national debt would * * billion dollars. Obviously such a huge debt could never be repaid no matter how (unintelligible) which is only another way of saying that the national debt will be repudiated in whole or in part. But a little thing like that don't worry the cynics and the sadist who dragged you into this war, or who if they were not sadist, were at least very stupid men who could find no other solution of national problems than war.

"Many of these men were so dumb that they looked upon the war as a gigantic racket. Some of them are so mad that they still dream of world domination, but of course until their huge * fails, as it must fail, many of them are making big * fortunes. They are getting their money out of the country; but there is no safe place to send it to except Mexico....

"The wise ones are putting all they can in land, real estate and homes....

"* get their food and drink in the black market, or what have you? Well, so what? What can you do about it? Not much, I'm afraid, but you might try... you can bring pressure to bear on the Congress and on the Executive...

"Otherwise they wouldn't pay much attention to you."

COMMENTS FROM ITALY

By unknown speaker broadcasting in Italian to the Empire.

Subject: World Stabilization

"...Rome: Morgenthau, the Secretary of the United States Treasury, has prepared a plan for the creation of an international monetary stabilization fund. The plan calls for all nations to bring their savings to America. No one accordingly could avail himself of said savings without the preventive approval of all the other nations. Naturally, with the fund would be entrusted the United States Federal Reserve which latter would thus become mistress of all the world's available monies which (in turn) would be administered by Morgenthau himself.

COMMENTS FROM ITALY

By Angelo Flavio Guidi from Rome to North America 4/16

Subject: World Stabilization Fund

"... At the end of the war, when the accounts will be balanced, including that of the public debt of the United States which increases by about three billion dollars every three days, the inhabitants of the confederation will be able to control the great truths which for the entire duration of the war they were getting from official sources and the easy-going fellows of the radio, eager for 'flash' even if it is a matter of uttering a heresy, in order to perturb greatly the Americans. In like manner as in the famous transmission that you will all recall, of the invasion of the United States by the inhabitants of Mars.

We, therefore, advise you to be very much on guard and not to imbibe too easily the news which are being concocted for you, because the awakening after the spree is always very sad; it leaves a bitter taste in your mouth and a headache."

COMMENTS FROM ITALY

By: Unannounced speaker broadcasting in French from Rome to Europe (4/7)

Subject: World Stabilization Fund (Entire 10 minute broadcast)

"* * * Now that they are on the way to defeat, both English and Americans are constantly building up new plans for the reconstruction of the post-war world. But their plans are of a more or less hypothetical(?) nature. And yet there is in America a man working on an altogether positive plan. The man is a Jew - Mr. Morgenthau, Secretary to the North American Treasury. His plan is a masterpiece of simplicity and *. Mr. Morgenthau is concerned about the monetary (?) organization of the world. * * * good deal of money: dollars, *, francs, marks and pounds. The war has upset their relationships and has made them unstable. 'Thus it is necessary,' he writes, 'to restore order and stabilize moneys.' In order to do this Mr. Morgenthau proposes * * * an international organization in which the various nations of the world will be expected to participate. Each of these nations will contribute its share to the constitution of a Common capital.

Morgenthau knows - and no-one else ignores the fact - that the United States have cornered 90 percent of the total quantity of gold in the world.

For some years the United States have worked essentially towards this end. The policy of the American financiers has been aimed at absorbing the gold reserves (belonging) to other countries, including that of Great Britain. The policy of the White House has done its best to help the financiers(?). It has gone so far as to transport the crown treasures of Iran from Teheran to the United States. It has even tried several times to transport the treasure of the Banque de France, which is at present in Martinique, to American banks.

Thus it is only natural that the major part of the capital of the organization for the stabilization of moneys should be built up with the contribution of America. 'No other country,' says Mr. Morgenthau, 'can compete with the United States from this point of view'. And he proposes that nations should have the right to vote in proportion to their participation in * * *. This means that 90 percent of the votes would belong to the United States, and the remaining 10 percent would be available to the various other countries in the world * .

- 2 -

Mr. Morgenthau naturally specifies that all moneys should (be regulated) by the dollar, which means simply that the United States will have absolute power over the monetary exchange of the whole world that the dollar will crush all other money, and the consideration of the Governors * * * * * (will settle) the prices of all the merchandise in the world, in accordance with the interests and the wishes of the American administration.

It seems that Mr. Morgenthau, and with him another North American financier *, is also thinking of creating an international bank which will regulate the finance, *, and enterprise of the whole world. This bank will have a capital founded on gold payment - and, as always, these payments will be exclusively North American. This is Mr. Morgenthau's plan. We cannot deny(?) its merits, and we must recognize * * * * .

Millions of men who are fighting * * * , now know why they are fighting. They are fighting so that the United States - or better the business men of the United States - may become the masters of the peoples of the earth, thanks to the power of their gold."

COMMENTS FROM ITALY

By: Paulo Kirkpatrick broadcasting from Rome to North America (4/16)

Subject: World Stabilization Fund

"Mr. Morgenthau, Mr. Roosevelt's Jew Minister of Finance, has tabled his proposal for stabilizing the exchanges after the war is over. Lord Keyne, acting for the Jew, Mr. Montague Norman, alias Mr. Skinner, and Governor of the Bank of England, has also tabled his proposal. These rival schemes are not to be discussed, and I shall take an early opportunity to criticize them in detail.

Meanwhile, it seems clear that of the two, the Jew Mr. Morgenthau's scheme is the more pernicious of the two. It is clearly designed to put the whole world at the mercy of the private bankers belonging to the Federal Reserve Board, and it reestablishes the gold standard in its most offensive forms.

The ordinary American man in the street, knows very little about the science of political economy and finance. He has not the faintest notion of what the gold standard implies, except that it suits the exporter and importer and that evidently the private banks like it. The idea that the center of world finance is (intrinsically) New York and that the American Federal Reserve Board, will have the practical control of world finance, may also flatter his national pride.

What he does not know, is that the whole system is a fraud and basically unsound; and that it is the cause of fluctuating prices, fluctuating wages, the trade cycle of alternate booms and slumps, unemployment, uncertainty, the wealth of the few depends upon monopoly and scarcity and the poverty of the many. It is also one of the principal causes of war.

Nor does he realize properly that fluctuating prices are the same as fluctuating weights and measures. He does not realize that a number of private corporations under this system have it in their power to cause these fluctuations in their own private interest.

Still less does he realize that these private corporations have in the first place acquired and continue to acquire immense capital resources by creating money and putting it into

circulation by nothing more than a stroke of the pen, and that they have, in the second place, increased their capital resources and continue to do so by buying up businesses which fail during a slump and selling them again during the following boom. And that these private corporations have foreknowledge of each slump and each boom because they themselves deliberately engineered them.

In fact, they (start them) by levelling an indirect tax on consumption during periods of boom, that is, during periods of inflation, which increases prices. And by knocking down to bedrock prices, the possessions of all those people who get into difficulties through debt during periods of slump, that is, during periods of deflation and decrease in prices.

Finally, the man in the street does not realize that these private corporations, after creating enormous money resources for themselves out of nothing, lend it out at interest and practically without any risk because they also cover themselves with collateral * .

There never was indeed such a racket, in the history of the world. And it is with the perpetuation of this racket, at the expense of the man in the street, that the Jew, Mr. Morgenthau's proposals are chiefly concerned.

And it has never struck the American man in the street that the chief reason for this war is precisely that. Fascism, National Socialism and Stalinism, all the various European plans of Fascism, in other words, were doing away with this immoral racket, and the vested interests concerned in the racket were determined therefore to have a war to save their blasted system, and they got it.

The Jew, Mr. Morgenthau, is now preparing the apotheosis of the racketeer, believe it or not. All the same, it is easy enough for you to get hold of a few simple facts, and then you can think the rest out for yourself. Why not write to your local Senator about it? Ask him a few straight questions like this. Well, here goes.

(1) A monetary system which is continually changing the internal purchasing power of money and therefore all the weights and measures in the country has obviously something wrong with it.

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Is the President's Brain Trust such a lousy lot that it can't devise something better? That's all for that question.

(2) If it is a choice between stable or unstable internal prices, and stable or unstable exchanges, I, as a man in the street, want stable internal prices. Foreign exchange after all, is only a form of barter, and to a great extent, we can get along without it. The greater part of what we, the people of America, consume is American produced. America is a country which can, moreover, produce practically everything it needs itself. But in order to increase production at home and to create abundance, we want to know, as a first condition, how we stand about future prices. We want security for our producers. I also want security for my savings. If it is therefore a question between stable or unstable foreign exchanges and stable or unstable internal prices, give us stable internal prices, and let foreign exchanges go to hell; they only interest a minority among us. Stable internal prices is the democratic alternative. That's what we want, and please see to it that we get it, whatever the Jew Morgenthau may say.

(3) It is manifestly unsound, and for that matter, morally wrong, that most of the money in circulation should be put into circulation by private corporations for their own interests. These banks don't, for the most part, lend money. They lend promises to pay, and these promises to pay enter into circulation as currency by means of the check system. The banks lend ten times as much of this currency as they possess of real money, because they count on the fact that the people to whom they give credit are not going to ask for cash all at the same time. A real loan, after all, is when a person deprives himself of something simply in order to lend it to others. When a bank gives credit, it does not deprive itself of a cent. (Besides) * from the loan of deposit account money or their own subscribed capital constitutes a real loan, banks should be prohibited from accommodating people. They should not be allowed to lend the money in checking accounts, which has not been properly lent to them, and still less should they be allowed to lend six, seven or even ten times the amount of these checking accounts. Besides, the money in the deposit accounts is quite sufficient for the purpose of financing short term requirements. All financing ought to be done honestly, that is, out of savings. Then we should get stability, and if anybody is to increase or decrease the amount of money in circulation it ought to be the Government, and only the Government.

- 4 -

Then, if prices do rise and fall, the Government can at least correct matters by adjusting taxation and keeping the profit for the community.

As it is, we are taxed both ways, in the interest of a few private corporations. That is not fair. It is also absurd and undemocratic, and this is as simple as ABC. Even a baby could understand it.

Well, what about it, Mr. Senator? Tell the Jew, Mr. Morgenthau to put on his thinking hat again. We are not going to stand any longer this monkeying about with our money. Tell the banks they can't any longer lend money except from deposit accounts or from their own subscribed capital. Cover the rest of the so-called bank loans by Government printed notes, and let the banks keep these notes in their vaults. They will then have nothing to fear; they will be covered one hundred per cent.

Finally, since the collateral pledges for the fictitious loans would no longer be required, call in the whole lot for the Government, and when they come to be redeemed in cash, buy Government bonds in the open market with it and burn the bonds? Then we shall have no inflation, and at the same time, write off billions of debts.

Have you never thought of that, Mr. Senator? Well, make a note of it. That's what the democracy of America wants anyhow."

April 23, 1943

Dear Mr. Levy:

Thank you very much for your letter of April 21st, enclosing the script of Mr. Lavalley's remarks which were broadcast on the "We the People" program of April 18th.

As you know, I listened with interest to the program and am delighted to have the full text.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. David Levy,
Young & Rubicam, Inc.,
285 Madison Avenue,
New York, New York.

File in Diary

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YOUNG & RUBICAM, ^{INC.}
Advertising

NEW YORK · CHICAGO · DETROIT · SAN FRANCISCO · HOLLYWOOD · MONTREAL · TORONTO

NEW YORK · 265 Madison Avenue

April 21, 1943.

Mr. Henry Morgenthau, Jr.,
Secretary of Treasury,
Treasury Building,
Washington, D.C.

Dear Mr. Morgenthau:

It was a great pleasure to meet you yesterday and I am looking forward to our adventure in Cedar Rapids.

As you requested, I am enclosing a copy of Raymon Lavalley's script used on the "We the People" broadcast of April 18th. I know you will be pleased to learn that excerpts from his remarks were carried prominently in every New York paper on Monday. I believe a number of national magazines will give his beliefs further publicity.

With every good wish,

Sincerely yours,

David Levy
YOUNG & RUBICAM, INC.
Director "We the People"

David Levy
egs
enc.

BOULTON ...

One year ago today Tokyo was bombed. Tonight ~~something~~ ^{sitting} beside me is a man who was in Tokyo during that raid. He brings to WE THE PEOPLE one of the most important stories of the war -- a story which Tojo tried to stop. (MUSIC SNEAK - PLANE FADEOUT) He will reveal for the first time how the people of Tokyo are taking the war. He will bring you the first eye-witness account of life in Japan since the Japs attacked the United States. He is Raymon Lavalley, famed journalist from Argentina, consul at Hongkong from 1939 until four months after Pearl Harbor and consular-attache in Tokyo from April 1942 until his return here two weeks ago. Mr. Raymon Lavalley.

LAVALLEY ...

I arrived here two weeks ago from Japan. The Japanese government tried to stop me from leaving Japan. They did not want me to tell the story I am going to give on WE THE PEOPLE tonight for the first time anywhere. They tried to poison me. ~~They tried to poison me.~~ ^{strong action} Only under threat of violent retaliation by our Embassy did they finally reluctantly allow me to leave Japan. ~~For the~~ ~~first time~~. I have experienced Japanese cruelty in Hongkong and Tokio. I have seen Japanese confidence reduced to Japanese fear. I saw the Japanese people tremble when Tokyo was bombed one year ago today.

BOULTON ...

How did they take the raid on Tokyo?

LAVALLE ...

They were shocked out of their one hundred per cent feeling of confidence. I remember very well the three alarms which started at twelve noon a year ago. I saw the American planes as they flew just above the roof tops. I have never seen such panic. I saw the raid from the roof of the Argentine Embassy, I saw the Japs running madly about. ~~I saw the Japs running into the streets.~~ There were no shelters so they rushed everywhere. ~~I saw the Japs running into the streets.~~ ~~Our two Japanese interpreters were so terrified they would not come to the roof with us. The older one collapsed after the third alarm.~~ ~~Japanese confidence in the Embassy raid was completely upset.~~ Japanese confidence was completely upset. The guns that opened fire were ^{taken by} surprised ^{and} they were unable to hit a single plane.

BOULTON ...

What was the official reaction in Japan to the raid?

LAVELLE ...

I learned that the Commander-in-Chief of ~~all~~ Japanese anti-aircraft defenses was forced to commit suicide. I know for a fact his entire staff was removed. ~~The Japanese claimed that the raid was a surprise.~~ Japanese papers claimed too that the American planes had machine-gunned hospitals and schools but this was not true. I saw only fires in the firection of the port. The Japanese explained that the planes came from aircraft carriers and had gone to China. The Japanese papers also claimed that nine American planes had been shot down.

BOULTON ...

Were you able to confirm that?

LAVALLE ...

It was not true. A high official of the Japanese Navy informed me later on that no planes were shot down in Japan.

BOULTON ...

Did the Tokyo raid have any lasting effect on the Japanese, Mr. Lavalley?

LAVALLE ...

The first thing that many of Tokyo's citizens do every morning now is to run to the windows and look for American bombers. For Japanese papers reported that American pilots in Texas were practicing bombings on reproductions of Japanese cities.

BOULTON ...

Would bombings make them give up?

LAVALLE ...

I doubt it. They have an ant-like mentality. Destroy one building and they scramble to build another like the ants. You must remember, too, for centuries they have learned to endure great catastrophes such as the earthquake of 1923. They are not demoralized by great loss of life ~~and by great destruction of property.~~

BOULTON ...

How has war affected the daily life of Tokyo?

LAVALLE ...

(Food is scarce. They have fish once a week if they're lucky. Their rice rations have been cut. There is no meat. There is not enough milk for babies and the sick. A family is allowed two eggs a month.

BOULTON ...

How does the average Tokyo citizen go about his daily work, Mr. Lavalley.

LAVALLEY ...

~~Mr. Lavalley, I am going to ask you to describe the life of the average Tokyo citizen.~~
~~Mr. Smith.~~ He has little or no breakfast -- no coffee and no sugar. He wears shoes made of fish skin. They fall apart soon after he buys them. His rationing of clothes allows him only one suit made of fiber, and that will have to last him more than a year. There is no heating in winter. So he has to wear his overcoat while he is working.

BOULTON ...

Won't conditions like this demoralize the Japs?

LAVALLEY ...

No. The Japanese government has warned the people to prepare for a 100 year war. ~~The Japanese people are used to living on a very small scale.~~
Before the war, the Japanese people were usually polite and honest among themselves but all that is changed now. The government is so worried they have official campaigns of kindness. ~~but~~
~~every Japanese is out for himself.~~ ^{still} every Japanese is out for himself. Tuberculosis is rising and the birth rate has dropped, so seriously, that the government offers money allowances to mothers. But in spite of all this, the people are fanatically loyal to the Emperor. ~~They are willing to give up anything and everything to live in a better world.~~

BOULTON ...

~~Mr. Lavalley, I am going to ask you to describe the life of the average Tokyo citizen.~~

LAVALLE ...

~~... public ...~~
~~... public ...~~
~~... public ...~~
~~... public ...~~
~~... public ...~~

BOULTON ...

Did you find any signs of a Japanese underground opposition?

LAVALLE ...

Yes. There is a very limited Japanese underground including many prominent people. ~~I ...~~
~~...~~ Last June and July the police rounded up several hundred liberals, including the grandson of Prince Saionji - advisor to the emperor, and the secretary of Prince Konoye, former Japanese prime minister. Many were executed, but the Japanese people as a whole are extremely loyal. However there is a brutal police dictatorship keeping some 5,000 liberals in prison.

BOULTON ...

Did you have any contact with the Japanese police, Mr. Lavalle?

LAVALLE ...

Unhappily, yes. One night I was entertaining friends when I heard shouts and screams from next door. From my window I saw a boy and girl about nineteen -- they were American-born Japanese. I had heard them playing American songs. I saw the police batter the piano to pieces and beat the boy and girl until they were senseless. There are many incidents like this.

BOULTON ...

Did the Japanese ever mistreat you?

LAVALLE ...

Yes. I was insulted and brutally handled by the Japanese police when I was in Hongkong. Once I was pushed out of official offices by Japanese soldiers. There are other worse personal experiences I cannot talk about.

BOULTON ...

Couldn't you report such treatment to ^{the} Japanese officials?

LAVALLE ...

My being a neutral diplomat made no difference to the Japanese in their hatred of the white race. On my way to Tokyo, in Formosa, the Customs Officials and military police broke diplomatic seals and took away many of my official papers. Japanese consuls from Hongkong who were with our party, were too afraid of the military police to interfere. When I arrived in Tokyo, a year ago, I prepared a full report on Hongkong. I sent it to Buenos Aires. We were living at the Imperial Hotel in Tokyo. Next day two hours after lunch I felt badly, went blind and found my legs almost completely paralyzed. My wife rushed me over to the Embassy where a doctor said I had been poisoned and that I was dying. However I recovered in ten days. The Japanese, undoubtedly, had read my report on the situation in Hongkong. Another time, I came home to find a Japanese military policeman searching my room and going through my papers in spite of my supposed diplomatic immunity. I beat up the policeman, and protested to the Chief of Tokyo military police. I told him I would shoot the next policeman I found in my house. He apologized, and we were never bothered again.

BOULTON ...

How did the Japanese treat ^{Pr}Germans and Italians in Tokyo?

LAVALLE ...

They hate them. I know the case of Japs beating up an Italian Naval Officer. The Italian Embassy never dared to make a protest. Last summer in a resort in the North of Japan I watched a German lady playing tennis. Two Japanese girls with rackets came along to take their turn in the courts. The German lady continued to play. I watched one of the Japanese girls without a word, come up, behind the German lady, and break her racket over the lady's head. There are many incidents like these.

BOULTON ...

I always thought the Germans were highly respected in Japan.

LAVALLE ...

That was true in the beginning of the war, but now that Germany's position is weakening, the Japs do not hesitate to show their true feelings. ~~They no longer respect the German technicians in Tokyo~~
~~the same respect as the Japs in their~~ One Japanese official said to me: "Now the situation is becoming fine in the Far East. Once we have defeated the Americans and the British, we will attack Russia. And since the position of Germany by then will be very weak, we will conquer the Germans as well."

BOULTON ...

How do the Japs feel about the Russians?

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LAVALLE ...

They fear and respect them. I don't think they will attack Siberia. One Japanese commander made the frank statement to me, that he considered the Russian soldiers just as good as the Japanese. The people of Japan fear the Russians so much that Russia's victories are not published in Japanese papers, ~~they are not reported in the Japanese press~~
~~they are not reported in the Japanese press~~

BOULTON ...

How about American victories?

LAVALLE ...

Those are never reported in Japan. I know because I speak Japanese. As the government controls all sources of information the Japanese people are entirely blind to the real situation. Naturally high Japanese officials know what's happening - and you can take my word for it that the American offensive in the Solomons surprised them very much.

BOULTON ...

How did the Japanese people react to their defeat in the Solomons?

LAVALLE ...

The people still do not know they were defeated. I consider the taking of Guadalcanal was a master stroke in the war against Japan. I doubt if Americans fully realize how decisive it was. It completely upset Japanese confidence. It changed their plans for attacking Australia. The Japanese announced the first American landing on the Solomons by saying that only a handful of American Marines was holding out in one of the smallest islands of the Solomons. In reporting the second battle they said the Americans would soon be wiped out. They were preparing,

LAVALLE ... (CONT'D)

1. Actually they went so far as to announce to the Japanese people, that they should be waiting to hear of a great victory at any moment. Their intention was to retake the Solomons and to attack Australia in order to to celebrate the first anniversary of the war. When the announcement came explaining that one Japanese battleship was sunk and another damaged it created a sensation all over Japan. One official of the Japanese Navy Press Bureau went so far as to say to me: "Before Pearl Harbour we overestimated the strength of ^{the} American Navy, but since Midway we underestimated it."

BOULTON ...

On the basis of your knowledge what do you think is the greatest potential weakness of the Japanese?

LAVALLE ...

Their shipping. The best way to attack Japan, is by a submarine warfare. The loss of shipping is already worrying Japanese officials. From a Japanese shipping source, I learned that Japan has already lost about one and a half million tons of ships in this war. Another shipping official sai. to me: "The position of Japanese shipping is very difficult. Shipping is the only way in which Japan can consolidate her gains, and unless, the situation is solved, we consider the war lost." America must also use China's manpower, and supply her with equipment, and America must build up a strong air force in China to cut off the Japs in the Southern area from the Japanese mainland ~~and cut off the~~

~~and cut off the~~

BOULTON ...

Mr. Lavallo, as a former official of the Argentinian government, have you any comment to make on Under Secretary Welles's statement that Argentine neutrality is a serious threat to the United States in its war with Germany and Japan.

LAVALLE ...

I feel so strongly about my country's foreign policy that I have resigned from the foreign service. I am going to work to help defeat the Axis. Argentinian neutrality is dangerous to the United States and to the cause of democracy. Mr. Osowaka, formerly secretary of the Japanese Embassy in Buenos Aires now working in the Japanese State Department said to me that the Japanese Embassy in the Argentine is supplying the Japanese government with daily reports on what is happening in the United States. He told me that more than sixty cables a day are sent to Japan with full information on United States war production. At a dinner ~~event~~, he smilingly proposed a toast, not to Argentinian neutrality, but, as he put it, to Argentinian cooperation. Premier Tojo himself at a reception gave me a warmer greeting than he gave to any other diplomat. And why not? The Argentine has been the eyes and ears of the Japanese government in the Western Hemisphere. Believe me, I ~~am ashamed of Argentina's neutrality~~ *am ashamed of Argentina's neutrality* For this war is Argentina's war as well as any other country's. If she will not break relations, and go to war against the Axis, then every freedom loving Argentinian ~~must~~ demand action now. There is no other solution. We must all fight and fight hard to retain our free institutions and democratic life.

(MUSIC)

April 23, 1943

Dear Bob:

I am enclosing herewith correspondence from Francis Biddle in regard to the Frankford Arsenal.

Will you please advise me how to answer the Attorney General?

Sincerely yours,

(Signed) Henry

Honorable Robert P. Patterson,
Under Secretary of War.

By Mess. Saunders 3:04 4/23

File in Diary



Office of the Attorney General
Washington, D.C.

April 22, 1943

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

Dear Henry:

I am sending you a copy of a letter from Mr. Samuel Scoville, Jr., of Philadelphia, and copies of the letters to which he referred.

You will note that employees at the Frankford Arsenal complain that for sometime they have had deductions from their salaries to pay for war bonds under penalty of failure of promotion and discharge, in accordance with statements posted in the Arsenal; they are not allowed to cancel their orders; and they have never received any vouchers or receipts for their subscriptions. Mr. Scoville says that he has been advised that 18,000 of the workers are combining to take some action, possibly by way of Congressional investigation.

I thought this was a matter that you might wish to investigate; and have advised Mr. Scoville that I have sent you a copy of his letter.

Sincerely yours,

A handwritten signature in cursive script, reading "Francis Biddle", is written over the typed name.

Francis Biddle
Attorney General

Encl.

C
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Y

Law Offices

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SAMUEL SCOVILLE, JR.

1407 Pennsylvania Building
15th and Chestnut Streets
Philadelphia

21 April, 1943

Hon. Francis Biddle
Attorney General
U. S. Department of Justice
Washington, D. C.

Dear Francis:

During the past two months numerous letters from employees of the Frankford Arsenal have been sent to me, as Law Editor of the Philadelphia Record. They complain that they are forced to buy war-bonds under penalty of failure of promotion, and discharge if they do not. These threats are posted in the arsenal. If they try to cancel their orders directing that a part of their wages be applied to purchase of these bonds, they are told that the cancellation forms are not available and cannot be supplied.

For about a year they have been paying in sums of money each week, averaging from \$2.50 to \$5.00, deducted from their wages, no voucher or any form of receipt has ever been given to them, and no employee has as yet received any of the bonds for which they have subscribed. Last month many of them were anxious to obtain their bonds so as to pay their income taxes, but were not able to do so.

The Record has called the attention of the Arsenal to the situation, but up to date nothing has been done either in the way of giving receipts for money paid in or delivery of the bonds already purchased.

Today I'm advised by communication from a prominent employee that 18,000 of the workers are combining to conduct some action either in the way of a Congressional investigation, or through some definite or official complaint to the War Department.

I have requested them to take no action until I could hear from you personally. This may not be a matter which comes within the purview of the Department of Justice, although, personally, it would seem to me that an investigation as to where the money which has been paid in has gone, would be best conducted by your department.

I send you copies of three letters recently received which are typical of those which are constantly coming in.

It is especially necessary at this time when a drive is being made for the sale of more bonds to remedy this situation with these 18,000 employees. The belief that the government is collecting money for bonds which are not delivered will do more to stop the sale of war-bonds than any enemy propaganda.

I know how busy you are, but I hope to receive as soon as possible any suggestion that you may care to make as to how the Record can best be of help in this situation and what steps can be taken either through Congress to give a great body of loyal workers the bonds for which they have paid, and to ensure their receiving vouchers or receipts for any future payments.

Sincerely,

/s/ Samuel Scoville, Jr.

SS/EF

I, too, work in the Frankford Arsenal. Have been paying \$2.50 a week out of my pay since May 15, 1942, until October 29, 1942, and then increased it to \$3.75 a week. Have not even received one bond as yet. I also have no stubs to show what I am buying. When we go into the office to stop our bonds, our checkers say they have no slips for us to sign to stop the bonds, for they won't give out any from the main offices. There hasn't been anybody in my department that received any bonds as yet, although they have been taking them out the same as myself for nearly a year. How can we get our bonds or our money back?

(Signed) S.

My husband is employed at the Frankford Arsenal and every week since May 15, 1942, \$5 has been deducted from his pay for war bonds. Up to date we should have six \$50 bonds, but don't have a single one. What can he do?

(Signed) Mrs. C.

The following article was posted on the bulletin boards at Frankford Arsenal, Philadelphia, Pa. I am interested in knowing whether or not this plan is in accordance with Civil Service rules and regulations, or whether the quality and quantity of your work is the thing to be taken into consideration when making promotions or separations.

"Subscription to the pay reservation plan for the purchase of bonds is a measure in part of the quality of co-operation with the War Effort and Arsenal Administration.

"The record of bond subscriptions maintained by the Bond Officer will be considered in connection with promotions or with separations when these are necessary for any reason."

(Signed) ARSENAL EMPLOYE

April 23, 1943

Dear Francis:

In reply to your letter of April 22nd, I am enclosing herewith copy of my letter to Mr. Stimson and Bob Patterson's answer to the same.

I am also forwarding a copy of your letter to Bob Patterson and asking him to look into this matter further.

Thanking you for bringing this to my attention,

Sincerely yours,

(Signed) Henry

Honorable Francis Biddle,

The Attorney General.

By Mess. Schey 10:33 4/27/43

File in Diary

WAR DEPARTMENT

WASHINGTON

April 19, 1943.

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

The photostat of an editorial in the Philadelphia Record for April 15, 1943 forwarded by you has been received.

In investigating the conditions reported therein, I find that the intent of Colonel Rose's order has been misinterpreted. Colonel Rose has been considerably distressed over the lack of cooperation evidenced by his employees in the procurement of bonds. His entire efforts in this field have been toward compliance with the President's request to further bond procurement by payroll subscription. Of recent months, he has noted a decided increase in payroll subscription cancellations.

Colonel Rose states that in no case has he intentionally indicated that the non-procurement of bonds by an employee would jeopardize his employment. He has pointed out to his employees that cooperation in bond drives is one indication of their cooperativeness. That cooperativeness is one of the indicia of an employee's overall efficiency. He advises me that he has never attempted to coerce his employees into buying bonds since he fully realizes that in some cases employees are financially unable to set aside a fixed amount from their pay to procure bonds.

In view of the above, I feel that the implications in the editorial above referred to are inaccurate.

Sincerely yours,


ACTING Secretary of War

April 17, 1943

Dear Henry:

I am sending you a photostat of an editorial in the Philadelphia Record which was handed to me today.

I hope that it is incorrect. However, if Colonel J. B. Rose was quoted correctly in this editorial I hope that you will give him a public reprimand and let me have a copy of it so that I can kill this sort of thing in its tracks.

Yours sincerely,

(Signed) Henry

Honorable Henry L. Stimson,
Secretary of War.

*Sent by S. S. Agent 5:00
4/17/43*

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 separations 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 the motive we need.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE
April 23, 1943

TO: Secretary Morgenthau

FROM: Harriet Elliott

SUBJECT: Iowa Women's War
Savings Organization

Mrs. Harold H. Newcomb - State Woman Chairman:

1. Excellent organizer:

Mrs. Newcomb and her associates have perfected one of the best organizations in the country.

2. Works well with all types of people:

One of the first states to have a state-wide program.

3. We have used Iowa as an example to many states.

Reasons why the work has been so successful in Iowa:

1. Men and women have worked together.

2. Women have had excellent equipment and assistance:

Office space

Secretarial help

3. Women used their own imaginations:

Did not wait for suggestions from Washington.

4. Adapted our suggestions to local conditions.

5. Built up a fine volunteer group all over the state.

Outstanding achievements:

1. Individualized work:

From the beginning, made personal contacts.

2. Excellent public meetings:

Rallies

Plays

Secretary Morgenthau

- 2 -

April 23, 1943

2. Excellent public meetings: (continued)

Community meetings

3. Excellent materials:

a. Fine State News Letter:

One of the best instruction letters in the country.

Local workers given fine training.

b. Instructions in special material best I have seen:

Volunteer workers know what they are selling and why.

4. Quota:

Regardless of quotas, they have always worked to sell bonds and stamps to the very limit.

First women's division to tell me that state quotas were too low.

5. Splendid farm program.

NOTE: There are so many women in Iowa who are doing excellent work, it would be a mistake to try to name anyone except the State Woman Chairman.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 23, 1943

TO: Secretary Morgenthau

FROM: Harriet Elliott

OREGON

Mrs. Saidie Orr Dunbar - State Woman Chairman

Up to the last few weeks, women did not have an opportunity to work in Oregon. Since Mr. Eccles was made Administrator, Mrs. Dunbar has been able to work. She is former National President of the Federation of Women's Clubs, State Director of Tuberculosis Association. She is one of the leading women in the nation. Has a great following in Oregon. Will do a fine job now. She is organizing every county.

IOWA

Mrs. Harold H. Newcomb - State Woman Chairman

Excellent state-wide program.

Not a paper organization, but one of the best personalized organizations in the country.

Has reached all types of people:

Labor

Farm

City

Method:

House-to-house canvass

Secretary Morgenthau

- 2 -

April 23, 1943

Method: (continued)

Fine instructions to workers

Volunteers know what they are doing.

Quota:

Regardless of quotas, they have worked to sell all possible stamps and bonds.WASHINGTON

Miss Marie Young - State Woman Chairman

One of the best chairmen in the U. S. Has given us more new ideas on how to reach individuals than any other chairman.

Excellent work with women in factories. Plan we are sending to all states.

70,000 volunteers signed up to work with her.

NORTHERN CALIFORNIA

Mrs. William Bayless - State Woman Chairman

Outstanding work in:

1. Booths
2. Public meetings
3. Navy men

When ships come in, has workers ready on docks to sell bonds.

4. Excellent women's division in San Francisco.

Expenses of Loans
War Finance Committee

April 23, 1943

Branch Riskey
Ebbets Field
Brooklyn, New York

Send copy to Robert P. Lee
Kings County War Savings Staff
60 Clinton Street, Brooklyn, New York

My heartiest congratulations to you and to the entire personnel of the Brooklyn Dodgers for their enthusiastic and effective support of the Treasury's Second War Loan campaign. I understand that each member of the team has worked extra hours to inspire others to buy extra Bonds during April, and that the players have put more than enough of their own salaries into payroll savings to qualify the Dodgers for a Treasury "T" Flag. In doing this the Brooklyn Dodgers have harnessed the spirit of the great American game of baseball—the skill and the will to win—to an increasingly vital aspect of our war effort.

Initialed (DuRell)

H. Morgenthau, Jr.,
Secretary of the Treasury.

SPeabody:lk

April 23,
1943

Peter Odegard
Secretary Morgenthau

I think that Walter Huston would be good to do the
Treasury film, but not Charles Laughton.

D. W. Bell

Under Secretary

Exp. Loans - War
Finance Committee

April 23, 1943

Honorable Henry Morgenthau, Jr.,
Roosevelt Hotel,
Cedar Rapids, Iowa.

No change in banking figures. Nonbanking: Certificates
2,508; 2% bond 1,958; 2-1/2% bond 3,181. Savings
bonds 699, of which 501 Series E; 43 Series F; 155
Series G. Tax notes 930. Total nonbanking 9,276.
Total 12,014.

BELL

DWB:NLE

April 23, 1943.

Dear Mr. Eccles:

In the absence of the Secretary, who will be away from Washington for several days, I am acknowledging your letter of April 20, and the photostat which you enclosed. I shall be glad to bring this to Mr. Morgenthau's attention immediately upon his return.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

GEF/dbs

File in Diary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

April 20, 1943.

Dear Henry:

In case you did not see the attached editorial from the New York Times, it occurred to me that you might be interested in it, as I was.

It brings out clearly the tremendous disadvantage under which the Administration and the Treasury labor as compared with the British Prime Minister and Chancellor of the Exchequer in formulating budgets and obtaining adequate tax legislation.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Marriner".

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

Enclosure

TWO BUDGETS: A CONTRAST

The new British budget will inevitably be compared in many ways with our own. But the most striking comparison of all should not be overlooked. This is the simple fact that Britain does have a budget, and that we do not. We have only something that we have conspired to call a budget.

When the British Chancellor of the Exchequer presents a budget to Parliament, he presents not merely his estimates of the next year's expenditures; he presents with them a complete and precise set of tax proposals to meet those estimated expenditures. Parliament is asked either to reject the budget or to accept it. If it accepts it, it accepts something very definite. It accepts an actual revenue measure along with the estimates of what that measure will bring in and of what will be paid out.

Our own so-called budget presents only the remotest comparison with this. It is not an executive revenue bill. It is merely a set of estimates regarding expenditures and receipts. Though these figures fill many columns in the press and are widely discussed, the discussion is, by contrast with that of the British budget, perfunctory. Congress is not asked to do anything about the budget. It hardly troubles to take it seriously. The estimates themselves are seldom accurate. They have recently shown a tendency to fall wider and wider of the mark. In the last decade our actual Federal expenditures have exceeded the estimates in every year. In the fiscal year 1935 expenditures were 14 per cent higher than the estimates; in 1936, 8 per cent higher; in 1937, 30 per cent higher; in 1938, 32 per cent higher; in 1939, 27 per cent higher. These results all occurred in peace years. Since the outbreak of war the gap between estimated and actual expenditures has been enormously greater not only in actual money but in terms of percentages.

There is an even more striking contrast with the British budget on the revenue side. Sir Kingsley Wood has brought in what is in effect a complete tax bill. In his budget in January, the President simply threw out the statement: "I believe that we should strive to collect not less than \$16,000,000,000 of additional funds by taxation, savings, or both, during the fiscal year 1944." This figure of \$16,000,000,000 was taken more or less out of the air. It was arrived at as the sum that would bring total revenues to approximately 80 per cent of estimated expenditures. But the President did not venture to suggest by what taxes or rates this added \$16,000,000,000 could be raised; nor has Congress yet troubled even to

By contrast with the American example, in every year of the decade from the fiscal year 1930-31 to the fiscal year 1939-40, inclusive, the British Government's actual expenditures were less than its estimates. This record was broken by the war. Yet the percentage increase of actual over-estimated British expenditures for the fiscal year just closed was less than 7 per cent, which is less than even the smallest percentage discrepancy in any of the peace years just cited for our own Government.

For the inaccuracies of our own estimates, for the persistent underestimates of expenditures and overestimates of revenues, the President and his chosen advisers must bear a heavy responsibility. Yet it must be added that no President could hope to frame an accurate budget and to stick to it, even in quiet times of peace, under our existing governmental division of powers and responsibilities. Mr. Churchill and Sir Kingsley Wood have one enormous advantage over Mr. Roosevelt and Mr. Morgenthau. The British Parliament can make no appropriations not recommended by the Government. Until our own Congress consents, if ever, to a similar limitation on its prerogatives, this country cannot hope to have a real budget.

At the end of the present war we shall find ourselves saddled with a national debt of unparalleled dimensions. The need for pulling our financial house in order will be enormously greater than it has ever been before in our history. A radical change in our methods of appropriating money will become inevitable. Most Congressmen will no doubt be shocked at the very suggestion that Congress ought not to make any appropriation that is not recommended by the President. But what seems at first glance like a rule that would greatly decrease the power of the legislature is actually one that would in the long run enormously increase its prestige in the nation and even its control over the Executive. If Congress refused to make any appropriation not recommended by the President, it would immediately get rid of nine-tenths of the pressure groups that plague it today. If it refused to appropriate money on its own initiative, it would give a far more jealous scrutiny than at present to the appropriations recommended by the Executive. "There is no propensity of human nature more marked than jealousy of opportunities that one does not share." Only under such a limitation on Congress, imposed either from without or from within, can a Federal Executive budget that means anything ever be possible.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

APR 23 1943

TO Secretary Morgenthau
FROM Randolph Paul

Attached please find a copy of a letter from Mr. Sulzberger of the New York Times to Judge Frank, and a copy of a memorandum prepared for Mr. Sulzberger by the Times editorial department on the points raised by Judge Frank in his recent letter.

It does not strike me as a very strong defense.



Attachments

COPY

The New York Times
Times Square

Arthur Hays Sulzberger
Publisher

April 19, 1943

Dear Judge Frank:

Thanks very much for your letter of April 13th. It reveals both the careful study that you have given to the present tax controversy and the care with which you have also followed our editorials on the matter.

We should not like to be unjust to Mr. Paul. I have no doubt that he has, as you say, made very substantial financial sacrifices in serving the Treasury. Nor do we in the least question his motives. It may even be that he has leaned backwards in opposing the Ruml plan precisely because he feels that he would himself be a substantial beneficiary from it, if that were possible. But we believe nevertheless that the position he has taken is mistaken, and we are exercising our journalistic right to express our disagreement.

I am attaching hereto a memorandum prepared for me by our editorial department on certain of the points raised by you. As to the balance, we would be delighted to have you bring Mr. Paul to luncheon some day in the near future. Will you be good enough to advise me of the dates convenient to him and to you?

With all good wishes, I am,

Faithfully yours,

s/ Arthur Hays Sulzberger
Publisher

Hon. Jerome N. Frank,
United States Circuit Court of Appeals
New York, N. Y.

April 15, 1943

MEMORANDUM FOR MR. SULZBERGER:

The following is submitted by way of reply to some of the points raised in Judge Frank's letter:

1. In his first point he seems to support our position rather than the contrary. We have never declared that the Treasury refused Mr. Ruml a hearing, or that it attempted to deny his right as a citizen to get a hearing before Congress. When we say that the Treasury turned Mr. Ruml's plan down, we mean precisely the same thing as he does when he says that "the Treasury was not itself in favor of Mr. Ruml's plan."

2. It is true, technically, that the Treasury can point to past times in which it has recommended a withholding tax. The point we have been trying to make, however, is that the Treasury did not itself sufficiently recognize in time the vital importance of such a tax adequately to impress Congress and the country with the urgency of the matter. We believe that the Treasury could have done this by sufficient clarity and sufficient insistence.

3. When we declare that even if the 20 per cent withholding tax does go into effect by July 1, "the Treasury

- 2 -

would already have lost hundreds of millions of dollars by the delay," we mean simply that such a withholding tax should have been in effect since the beginning of the present year. It could have been, we feel, if the Treasury had early enough recognized the urgency of the matter and brought the country to recognize it.

4. Judge Frank declares: "Mr. Paul's statement to the Ways and Means Committee on February 2, 1943, not only analyzed the payment problem, but also set forth the general principles to be followed in putting the income tax on a pay-as-you-go basis. In the midst of the confusion on 'pay-as-you-go' taxation it was basically more constructive to develop and clearly outline the general principles against which any specific plan should be tested than it would have been merely to forward a set of technical proposals labeled 'plan.'" We must differ with him on this. We think that the "general principles" set forth by Mr. Paul in his February 2 statement were in some respects seriously mistaken. We feel, also, that it was the duty of the Treasury to set forth clearly, unambiguously, and in detail, precisely what its own proposals were. The Treasury, in other words, should have put forward its own tax plan and

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taken responsibility for it. The feeling of our editors is that Mr. Paul's statement of February 2 left the Treasury's position in a good deal of a fog.

It may be said at this point, however, that we do not think that the Treasury is solely to blame for this situation. Congress should have encouraged and invited detailed proposals from the Treasury. A bad tradition of arm's-length dealings between Congress and the Treasury has been allowed to grow up. Treasury responsibility will not be possible until this tradition is changed. The Judge may have noticed our editorial comments bearing on this matter in The Times of April 14th, in which we contrast the British and American budgets.

5. He quotes our editorial as referring to "the Treasury's suggestion to apply the Ruml plan to 90 per cent of the taxpayers." This reference, he writes, "apparently applies to the so-called Robertson proposal to cancel 1942 liability to the extent of 6 per cent of normal tax net income and 13 per cent of surtax net income. This proposal would apply, not just to 90 per cent, but to all taxpayers." Our reference was meant to apply to Mr. Paul's testimony of February 2 itself. Mr. Paul's statements seem a little confusing here. In one part of his prepared statement he declared: "If the

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normal tax and the first bracket surtax, that is, the 'basic liability' were collected at source in this manner, 30,000,000 of the 44,000,000 taxpayers estimated for 1943 or nearly 70 per cent would be current." At another point in his testimony, however, he declared: "Continuing the present method of collecting liabilities in excess of the normal tax and surtax at the first bracket rate would, as previously mentioned, leave not fully current only 10 per cent of the taxpayers." Whichever of these statements we apply to this case, it is clear that Mr. Paul felt that at most his suggestion would apply the Ruml plan (of bringing taxpayers fully current) to 90 per cent of the taxpayers.

The other points that Judge Frank includes under point 5 raise a large number of problems which we have frequently discussed in our many editorials on the pay-as-you-go plan. It is doubtful if it would be profitable to discuss them again here; for if our editorial arguments on this point have not convinced him, it can hardly be hoped that it would be possible to do so by repeating them in this memorandum. They are matters, as he will doubtless agree, which involve questions of differences of opinion rather than questions of factual accuracy, and could be best talked over at the meeting Judge Frank suggests.

MEMORANDUM FOR THE SECRETARY.

April 23, 1948.

Mail Report

Though fairly heavy, mail for the past week was less ruffled in tone than it has been for some months. As a result of the Second War Loan, Bond correspondence outnumbered tax mail 6 or 7 times over, with many telegrams, copies of ads, and other promotion devices and incidental comment on local campaigns. Reports that the Secretary is disappointed in the response of the little fellow brought a number of explanations, among which were uncertainty as to future taxes; doubt of the security of Bond investment; fear of dollar devaluation; higher living costs; and ignorance of the fact that E Bonds are included in the offerings of this drive. There were also a few attacks on Administration policies which used the statement as a text. Several persons, disturbed because they have been asked to borrow money to buy Bonds in this drive, have inquired as to the Treasury's attitude on such forced purchases. There have been a few belated letters praising the Carnegie Hall address, and one unsigned, unfavorable postal card.

There has already been one request for a special issue earmarked for a Japanese offensive, and one city has asked that proceeds from Bonds sold in connection with the display of the Jap Submarine be used for that purpose. There is increasing demand for some type of annuity Bond, and a number of appeals from Army Posts, the Alcan Highway, etc., for local and more convenient facilities for Bond buying. Individual complaints reached 55 from War Department personnel alone, with few others from any source. Fifty-five Bonds were forwarded for redemption, 10 from Patchogue, New York.

The tax mail continued to center about a pay-as-you-go plan. Out of 35 correspondents favoring some such plan, only 6 specifically endorsed the Ruml idea.

- 2 -

Memorandum for the Secretary.

April 23, 1943.

Twelve opposed forgiveness of a year's taxes, while a few suggested that 1942 taxes be entirely forgiven but that the amount so forgiven be considered taxable income for 1943. The old idea that Bonds be bought in lieu of 1942 taxes kept cropping up in the mail. The 20% withholding tax is disapproved at a ratio of 5 to 1.

Favorable discussion of the Stabilization Fund continues to overshadow unfavorable, but comment has fallen off sharply.

The President's request for a continuation of his power to devalue the dollar drew a number of caustic comments.

W. F. Forbush

General Comments

Herbert van Kaan, Hotel Dauphin, N.Y.C. I listened tonight to a broadcast by Henry J. Taylor and heard him saying in commenting on the outstanding currency of now over sixteen billions that this large amount is partly the result of hoarding of large bills by refugees and the smuggling of such bills to Mexico, etc. Let alone the slur aimed at the refugees, I feel that Mr. Taylor's remarks can have only the effect to undermine the confidence of the public in our monetary system at a time when the public is asked to invest money on long terms in Government Bonds, because why should people try to bring our money over the border unless they feared that it will lose its value and inflation is imminent? * * * I would think it justified to ask Mr. Taylor, who is represented as one of the best informed men in America, where he got the facts suspecting refugees to be the holders of bills of large denominations, why as long as the Treasury issues such bills their possession should be of an incriminating nature, and what other currency he as a hard-headed businessman and economist could point out at present as offering better safeguards than the dollar? * * *

H. G. Irwin, H. G. Irwin Lumber Co., Garland, Pa. We are taking the liberty of protesting to you an action of the Procurement Division in handling orders from our correspondent in England who is our agent for "Durock" Hammer Boards. We realize that Mr. J. W. Flatley and his assistants cannot be expected to realize the quality of all of the articles they are expected to purchase, but they should realize that when orders come to them through the British Ministry of Supply Mission for a specified brand, they should place the orders with the makers of the item specified. * * * On November 20, 1942, we received from the British Ministry of Supply Mission their Reference 252/9, a Certified Copy of Order, which specified certain sizes of solid rock maple hammer boards, "Durock". * * * On December 22, 1942, we received a letter from

- 2 -

the Treasury Department, Procurement Division, asking for prices on a list of "Durock" Hammer Boards or equal, and farther down in the same letter is the list as quoted by us on November 24 to the British Ministry of Supply Mission, which list specified "Durock" Hammer Boards. Apparently the Procurement Division sent inquiries broadcast, and someone quoted a lower price on what they claimed were hammer boards, and thereupon the Treasury Department placed with someone else the order which should have come to us. * * * Because of our knowledge of the requirements of the industry and the ability of our employees, some of whom have spent more than 15 years learning and practicing the manufacture of hammer boards, we have been able to supply a type of board of a very superior quality, known and recognized here in the United States, as well as abroad. Possibly the Treasury Department, Procurement Division, may have sent an alleged inspector to whatever factory furnished this order, but the Treasury Department has no trained hammer board inspectors, and the inspectors they sent here to inspect hammer boards on previous occasions were machine tool inspectors and had no knowledge or training in the inspection of hammer boards. * * * In happier times we understand it to have been the policy of our Government to encourage manufacturers who were capable of doing so, to offer a portion of their production for export, and we have been encouraged in our efforts to extend our market beyond the confines of the United States. We are in that class of manufacturers classed by the newspapers as "Small Manufacturers". We are small, we live in a small village in which we are the only industry, but we are not so small that we are willing to permit the Procurement Division to cancel our efforts to grow in this country and abroad without filing a definite protest. We have on previous occasions protested to Mr. Flatley's office and have been given scant consideration, if any, so we are now respectfully sending you this letter as the head of the Treasury Department, and ask that we be assured that on future orders coming from the Brett's Patent Lifter Company that these orders when calling for "Durock" Hammer Boards shall be placed with us. * * *

Mary E. Clark, Cambridge, Ohio. I listened intently to your splendid address from New York City, at the formal opening of the War Bond Drive. We are working hard out here in Ohio, and we hope our goal will be over-reached!

- 3 -

Unfavorable Comments on Bonds

The following letter was addressed to the President by William M. Nichols, East Orange, N. J., and referred to us by the White House: May I call to your attention the inefficiency of Payroll Bond Deductions by the War Department, which in effect is discouraging potential buyers from subscribing to their plan. * * * An example of the above is my own case. I subscribed for War Bonds in June, 1942, as did many of my fellow workers. Since that time no one in my group has received Bonds, which have long been paid for, nor has there been any official memorandum issued to us since November, which promised our Bonds to us within two weeks from that time. As a result of the above, these fellow employees have, and with good reason, requested the discontinuance of their Payroll Bond Deductions.

R. H. Utz, Arthurdale, W. Va. On March 6, 1943, I sent in three Bonds, all of the E Series. I sent these Bonds by Registered Mail, #414 of Reedsville, West Va. I received the return receipt initialed "E.S.". * * * I later received on Form P.D. 397, an acknowledgment of receipt of the Bonds in the Division of Loans and Currency. On the other side of the Form was a notation, quote, "This case has been forwarded to the Treasurer of the United States, Treasury Department. Any inquiry should be addressed to that office". I have reason to believe that there is an unnecessary delay in sending the check for these Bonds. I probably should not commit myself to a burden so extensive by buying so many Bonds from my income, but I want to be of all the help I can at this time. I had to cash in these Bonds to pay my income taxes, as I was drained too close by everyday expenses to meet this demand. I paid the taxes out of the table budget, and I have had to run an account to do this. I need the money that the Bonds are worth. * * *

- 4 -

James Floyd Porter, Huntsville, Ala. I am writing for information as to whether or not the Pepsi-Cola Bottling Company of this city has filed reports concerning War Bonds. The plant workers have several Bonds apiece and have been unable to secure them. If by any chance there has been a drawback in the purchase of our Bonds, or they may have to go through other official offices, I ask that you notify me, please. I'd like to know if I'll have to see into this business.

Samuel B. Stengle, Portsmouth, Va. On March 2, I signed and had the Morris Plan Bank send to the Federal Reserve Bank of Richmond, Virginia, three War Savings Bonds (cash value \$112.50) for the purpose of redemption, so I might pay my 1942 income taxes. To date, neither I nor the Bank have heard a word from the Federal Reserve Bank of Richmond, although I, and the bank, both, have written to them about the Bonds. As I understand it, the faith and integrity of the United States is pledged to the payment of these (and all other Bonds), but it seems that the Federal Reserve Bank of Richmond, Virginia, is letting the Government down. * * *

John Joseph Uhler, Chicago, Ill. I am writing you this letter to find out what I can do about two Bonds. I was going out with a girl and I asked her if she will hold my two Bonds for me until I get a place to put them. And then I met another girl and I got married so I asked her in a nice way if she will return the Bonds and she said that she won't return them. I put her as a co-owner because I didn't have no one else at the time. She said that she was going to cash them in and I don't want her to. I want my own Bonds back. After all, I paid for them Bonds and now I need the money. And I did not give them to her and after a week I broke up with her. I asked her for the Bonds and she laughed in my face. So Dear Sir, I want to know if you could write her a letter and tell her she better return them Bonds, or write me a letter and tell me what I can do about it. After all, she is not my wife, why should she cash the Bonds in? * * *

- 5 -

Harold S. Mayer, President, Godchaux & Mayer, General Insurance Agents, New Orleans, La. * * * You will be very much interested to know that there was not a word in our papers advising the public of your talk. This is confirmed by the letter I am sending you herewith. I hope you will use your influence with the War Information to have this corrected, so when you or the President talk again, such lack of information to the public will not occur. Wishing you continued success.

Walter C. Brunow, Milwaukee, Wis. My son, Tech. Sgt. Walter H. Brunow, A.S.N., 20645975, who is with the armed forces somewhere in England, wrote me on July 7, 1942, from Patterson Field, Ohio, that he made an allotment of \$18.75 per month for War Bonds. On August 10, 1942, I wrote the Chief of Finance at Washington, who informed me that approximately 90 days are necessary from the time the first Bond has been completely paid for until the Bond is received by the purchaser thereof. I waited until November 10, 1942, before writing the Chief of Finance again. Receiving no replies from my three letters addressed to the Finance Department I wrote to U. S. Senator Alex Wiley, who in turn referred the letter to H. H. Pfeil, Col., U. S. Army Liaison. On February 2, 1943, I received the first and only Bond, dated for September, 1942. Up-to-date, I am still waiting for the August Bond and seven additional Bonds. I do not know what is causing this delay, but if no action is forthcoming, I will write the Chicago Daily Tribune to make public just how the soldiers are treated. On March 25, 1943, my son informed me that he had raised his allotment to \$37.50 per month. * * *

Vernon Darling, Worthington, Minn. Is it compulsory for me to buy a five hundred dollar War Bond this month, when I haven't the money with which to buy it? Two men were here yesterday on a Bond drive and told me that I, as a landowner, was to sign up to buy a five hundred dollar Bond this month. I explained that I didn't have the money available, and they told me to borrow it. I am

- 6 -

eager to learn if this information they gave me is correct, as I was previously informed that it was not compulsory, but that we would be expected to buy whenever we can. * * * I presume you have a record of the Government securities I now own, and I do not choose to go into debt at this time. However, if it is compulsory, I will sell my milk cows and buy these Bonds with the proceeds, if it is of greater advantage to my country that way. * * *

Anonymous - Boston, Mass. To inform the public how well the Second Bond drive is doing is the wrong way to have it succeed. I know lots of people who were going to buy Bonds who have now changed their minds as they say the drive is going over the top without their help. Would it not be better to broadcast that the drive is not going o.k., rather than brag that it is doing so well. You don't understand the American people as I do. A CITIZEN.

Al Raymond, N.Y.C. * * * Have been serving on the Jury for the past week in General Sessions. During a conversation regarding War Bonds a gentleman informed me he tried to purchase thirteen hundred dollars worth of War Bonds in one hundred dollar denominations from three distinguished banks, and they point-blank refused to sell them to him. He saw the various managers of the three branches and all three refused to sell them to him, saying they had no time to make out Bonds. We were all amazed at this and could hardly believe such a thing could be possible, until he told us he went to an Armory close by and had one of the Captains go to the banks with him and prove it. After the managers saw the Captain, they immediately wanted to make out the Bonds. * * * The Banks are: Corn Exchange Bank, 181st Street, St. Nicholas Ave., New York City; National City Bank, 181st Street and Broadway, New York City; and the Harlem Savings Bank, 181st Street and Broadway, New York City. The complainant is willing to face all three Banks if necessary. * * *

- 7 -

Robert J. Powell, Joliet, Ill. I have written your office on two different occasions in regard to the War Bonds that are due me, and to date I have received no satisfaction. These Bonds were subscribed by me over a year ago, and I have received none to date. From the records of the Personnel Department of the Kankakee Ordnance Works, up to the first of the year of 1943, the payroll deductions were \$101.25. According to my way of figuring, I have five Bonds coming, and a balance of \$7.50 over. It seems to me a person should get some satisfaction in over a year's time. Hoping you can get some satisfaction for me at your earliest convenience.

Alice R. Siegmund, Interlaken, N.J. I am enclosing an article which was printed in the Asbury Park Press, Thursday, April 15. I was greatly interested in it, so much so, I would like to voice my reaction after reading it. I am an employee of the Ft. Monarch Signal Corps Laboratory, at Long Branch, N.J. I have been employed there for over a year. In that time, I started through payroll deduction plans to buy Bonds, and although the stated amount has been taken out of my pay every two weeks, and I have paid for four Bonds, I still have to receive a single Bond for money paid. * * * It is common knowledge that some employees have cancelled their 10% Bond payments, others refusing to take more, just because after they have had three or more Bonds paid for, they still fail to receive them. It is only human nature to want something to show for their money. To have the little pile of Bonds grow to a big pile is a greater incentive to buy more than empty promises. If you want one of the reasons Pep Talks fail, and such items as the one enclosed fail to inspire the real desire to buy more Bonds, suppose you think over the above. I truly think if such laxity or whatever it might be, was corrected, you would find a far better spirit for Bond buying than now exists. I shall probably lose my job if this letter finds its way to the attention of those governing the channel of Bond disbursing. However, if the Bonds are forthcoming to those who have bought them and a better spirit prevails, I shall think it well worth while.

- 8 -

William J. Cooper, President 24728 Union, Dearborn, Mich. (Telegram) Ford Motor Company has stopped Second Bond Loan in the Ford Rouge Plant and has refused to sanction any further sale of Bonds on Company time. There is fifty thousand dollars worth of Bonds that they refuse to issue. Immediate action should be taken to remedy this condition. If this condition continues, the workers will refuse to subscribe further the payroll deduction plan. Please reply.

Ben Cochran, Berrien Center, Mich. I work for the Studebaker Corporation of South Bend, Ind., building Army trucks. Last year when they were soliciting for War Bonds, I signed up for 10% deduction from my pay, but the company refused to accept this subscription. They told me that they would accept only subscriptions of a definite amount per week. I did not feel like signing up under these terms as I had no way of knowing how much I would make. (The week the solicitation was made, my pay check was for approximately \$8.00). The controversy ended by my making a token subscription of \$1.00 per week. Then I bought Bonds through a bank and a Credit Union to make me a total of approximately 30% of my 1942 income, and I hope and expect to do as well in 1943, if the Studebaker Corporation does not interfere with my plans. They are now making a drive among their employees, insisting that they sign up for a 10% payroll deduction (the same amount they refused to accept less than one year ago), and when I refused to sign, telling their solicitors that I was already buying more Bonds than that, they insisted and told me that they would take any steps necessary to arrive at the desired end. I construed this as a threat to force me to sign. Shall I sign up to have 10% deducted from my pay for Bonds, which I do not wish to do at all under the circumstances, or shall I go ahead with my own plan to buy as many Bonds as I can, which, barring the unforeseen, should amount to 25% to 30% of my earnings? I know that Bonds which I buy of my own free choice will look much better to me and be of considerably larger amount than if I am forced to buy them by my employer, under his plan.

- 9 -

Letter addressed to the President by Charles Platzner, Bronx, N.Y.C., and referred to the Treasury by the White House. * * * My daughter, who is sixteen years of age, has been bothering me to buy Bonds with the money that was heired to her by her grandfather about seven years ago. Immediately after Pearl Harbor she requested this, and I as Guardian, went to the Surrogate's Office and asked if I might buy Bonds with the child's money, and was informed that there was some say about this in Albany. I inquired some time later and again informed nothing was done. The Clerk said that there were millions of dollars lying idle that could and would be happily turned over to our Government, but nothing can be done.

* * *

- 10 -

Favorable Comments on Taxation

Arthur Fox, Chicago, Ill. I have just received a circular from the CIO on the tax bill, suggesting we write you for a more modified tax plan. I'm contrary to this, and I do hope you will create the toughest kind of a tax bill to get the masses thinking of something besides the movie stars, popular songs, night club life, etc. There is nothing we can do about it, but, every bad thing destroys itself.

- 11 -

Unfavorable Comments on Taxation

George G. Lloyd, Pittsburgh, Pa. Last year I filed my tax return with a member of your organization. I paid my taxes on time and in full. However, due to some slip in the Pittsburgh office my return was never filed. My checks were sent back and later placed in a suspended account. Your local Collector of Internal Revenue has now decided that I have violated the law and is trying to collect a 25% fine from me. There are eighteen thousand people in this county who have not paid their taxes on time or who have failed to pay any money of any kind. Your local Collector, instead of trying to make them pay, is trying to make me pay twice. I intend to go to law if necessary before I pay this unfair fine. However, I do not think that you are even remotely interested in having your Department run in such a fashion. Please advise me what to do.

Albert S. Goss, Master, The National Grange, Washington, D. C. Every quarter when I have to sign the "Employer's Tax Returns" (Form FS-1a) I get peeved because I have to go out and hunt up a Notary Public and pay him for acknowledging my signature. The State returns require no such formality and it always leaves me with the impression that it is another technical requirement imposed by some bureaucrat who has no consideration whatever for the convenience of the public. I have heard many favorable comments on the action of the Treasury in dispensing with the Notary's affidavit on the income tax, and I am very sure that most people resent as unnecessary the affidavits on the lot of reports which they have to make out. I believe you could help public relations materially if you would give instructions to cut out a lot of the little unnecessary details because it is little things like this that get under people's skin.

W. Lt 205 ✓

WAR SHIPPING ADMINISTRATION

Washington

April 23, 1943

MEMORANDUM FOR THE PRESIDENT:

We have already purchased one hundred vessels from the Canadian Government under the Hyde Park arrangement. These one hundred were coal burners which we bareboat chartered to the British because we did not have trained coal-burning crews available. You approved both the purchase and the charters.

Canada is now building fifty oil-burning vessels of Liberty design which will be delivered the last half of this calendar year. Treasury informs us that we may disregard the Canadian dollar position in making a decision with respect to the purchase of these fifty ships.

The British have taken these ships into account in estimating the amount of assistance which they will require from the United States for the import program, and they say that they will have the crews to man them.

Under present conditions we do not propose to purchase these fifty oil-burning vessels being built in Canada and unless you direct to the contrary, we will so advise the British and the Canadians.

ES Land

E. S. Land

✓ cc--The Honorable
The Secretary of the Treasury

Miss Chauncey 206

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

April 23, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended April 14, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

(Init.) C. M. B.

imo:4/23/43

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

April 22, 1943

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

I am enclosing our compilation for the week ended April 14, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:imc:4/23/43

BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ending June 19, 1940

British

BANK OF ENGLAND (BRITISH GOVERNMENT)

PERIOD	DEBITS				CREDITS					Net Incr. (+) or Decr. (-) in \$ Funds	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)				
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1
1942													
Sept. 1 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.3
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1941													
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
WEEK ENDED:													
Mar. 24	12.8	2.5	-	9.7	31.7	-	-	5.0	26.7	+ 19.5	-	-	-
31	8.7	3.1	-	5.6	12.0	-	-	-	12.0	+ 3.3	-	-	-
Apr. 7	12.3	3.3	-	9.0	30.8	-	-	-	30.8	+ 18.5	-	-	-
14	6.6	2.3	-	4.3	33.0(1)	-	-	13.0	20.0(1)	+ 26.4	-	-	-

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

See attached sheet for footnotes.

England (through June 19, 1940) \$27.6 million
England (June 20, 1940 to March 12, 1941) \$54.9 million
England (since March 12, 1941) 23.2 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply, Ministry of Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those affected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$10.6 million deposited by British Ministry of Supply, and \$3.0 million held for credit of U. S. Army.

STATE OF CANADIAN AND AUSTRALIAN ACCOUNTS (In millions of Dollars)

Week Ending April 14, 1943

Sheet 1

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	28.7	32.4 + 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9	
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0 + 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5	
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5 + 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0	
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0 + 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0	
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4 + 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9	
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9 + 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3	
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4 + 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8	
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0 - 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4	
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1 + 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1	
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5 + 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1	
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6 + 15.4	7.3	5.0	2.1	6.7	-	6.7	- 0.4	
WEEK ENDED:																
Mar. 24	3.4	-	3.4	11.6	-	-	-	11.6 + 8.2	5.1	5.0	0.1	0.3	-	0.3	- 4.8	
31	12.4	-	12.4	11.4	-	-	-	11.4 - 1.0	-	-	-	0.4	-	0.4	+ 0.4	
Apr. 7	9.7	-	9.7	12.1	-	-	-	12.1 + 2.4	1.2	-	1.2	15.3	-	15.3	+ 14.1	
14	2.5 (e)	-	2.5	12.0 (e)	-	-	-	12.0 (e) + 9.4	13.0	13.0	-	3.5 (g)	-	3.5 (g)	- 9.5	

Average Weekly Expenditures

First year of war 6.2 million.
Second year of war 8.9 million.
Third year of war 10.1 million.
Fourth year of war (through April 14, 1943) 8.6 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(e) Does not reflect transactions in short term U. S. securities.
(f) Includes \$ 1.4 million deposited by War Supplies, Ltd.
(g) Includes \$3.0 million credited to Australia for account of Treasurer of United States to be applied against U. S. currency and Treasury checks negotiated.

HEL

This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (DR)

Chungking via W.R.

Dated April 23, 1943

Rec'd 9:50 a.m.

Secretary of State,

Washington.

584, April 23, 10 a.m.

TF 112.

TO SECRETARY OF THE TREASURY FROM ADLER.

As board has now over United States dollars
14 million on hand, it is repaying United
States dollars ten million to Treasury.

VINCENT

WSB

DM

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking via N.R.

Dated April 23, 1943

Rec'd 10:05 a.m.

Secretary of State,

Washington.

583, April 23, 9 a.m.

TF 111 TO SECRETARY OF THE TREASURY FROM ADLER

One. Re your 449 of April 7, part one, two.

Both Bank of Communications and Father Tennien informed me that transactions referred to have been canceled.

Two. Re your 449, Part two. I informed Father Tennien some time ago that any appointed bank functioning in Free China could act as receiving agent for remittances from the United States as long as conditions of general license 75 were complied with, and to remove any possible misunderstanding gave him a copy of the license and explained its provisions to him.

VINCENT

BB

SECRETARY OF THE TREASURY
 OFFICE OF THE SECRETARY OF THE TREASURY
 APR 24 11 23 AM '43
 NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 132

Information received up to 7 a.m., 23rd April, 1943.

1. NAVAL

One of H.M. Destroyers was mined or torpedoed North of BONE yesterday and taken in tow. One of H.M. Submarines sank 3 ships while on patrol East of CORSICA. Photographic reconnaissance on the 22nd showed ADMIRAL SCHEER and GRAF ZEPPELIN at SWINEUNDE.

2. MILITARY

TUNISIA. 21st. 8th Army. By 7 p.m. our troops on the right flank had reached a point 5 miles from ENFIDAVILLE on the coast road towards BOU FICHA, and on the left our Infantry had seized the high ground 4 miles North-West of ENFIDAVILLE. By last night, the enemy had been driven off the high ground overlooking (? TAKROUNA) from the West.

BURMA. Reference OPTEL No. 131. Now known that party reported West of CHINDWIN River was not Japanese but our own troops.

3. AIR OPERATIONS

WESTERN FRONT. 22nd. Typhoons destroyed one locomotive and damaged 4 others in BELGIUM and set fire to an auxiliary craft off IJMUIDEN. 22nd/23rd. Aircraft despatched - sea mining 32 (2 missing), leaflets, LIMOGES 5.

ITALY and SICILY. 20th/21st. Five Liberators bombed Naples. 21st/22nd. 2 Mosquitoes damaged 3 locomotives and an electric train in CALABRIA. 22nd. 12 Spitfires carrying bombs attacked the harbour at SYRACUSE and 2 Spitfires destroyed 4 Junkers 52 off SICILY.

BURMA. 21st. Blenheims attacked NABA railway station (10 miles West of KATHA) and enemy positions in the MAYU and Upper CHINDWIN areas. 22 escorted enemy bombers attacked DYPHAL.

4. HOME SECURITY

21st/22nd. ABERDEEN. Now reported 41 killed and 47 seriously wounded.

4/24/43²¹⁴

AFTER CONFERENCES WITH
"WE THE PEER" BOYS IT WAS
UNANIMOUSLY DECIDED TO
PRACTICALLY REVERT TO
THE ORIGINAL. THEY HEARD
YOU READ IT AND WERE MUCH
IMPRESSED.

ALBEE, SMITH & CO.
HYBRID CORN



215 E
4/24/4

SECRETARY'S SCHEDULE SATURDAY

Leave Hotel at 9 A. M. with Mr. Vernon Clark to visit three war plants. Arrangements have been made for representatives of both management and labor to meet Secretary at these plants.

At 10:45 brief visit at National Headquarters Order Railway Conductors. Pictures will be taken.

At 11:15 A. M. press conference Room 1213 (two doors from secretary's room.)

11:30 to 12:30 - Rest

12:30 Luncheon with approximately fifty persons representing War Savings Staff Victory Fund Committee and local people in charge of Sunday program.

Mr. Vernon Clark Post.

2:30 to 4:30 "WE THE PEOPLE" rehearsal at Coliseum

SECRETARY'S SCHEDULE SUNDAY

Chapel 9:00 to 9:50

10 to 1:00 Rehearsal of guests with the Secretary
at coliseum

1:00 to 3:00 Open

(Tentative arrangements made for visit to farms
with Ray Anderson, farm editor Cedar Rapids Gazette.

4:00 to 5:00 P. M. Parade, review from Reviewing Stand
in front of Coliseum

5:15 P. M. Auditorium Show

6:30 to 7:00 "WE THE PEOPLE" broadcast

Press services have requested brief conference following
broadcast.

AUDITORIUM SHOW

Doors open 4:45

(Organ Music while house seating.)

Band concert	5:15 - 5:21
National Anthem - led by Dr. Zansig	5:21 - 5:24
Community Singing (Direction Zansig)	5:24 - 5:31
Monsignor Malloy	5:31 - 5:36
John Nollen - Co. Chairman Treasury War Finance Committee	5:36 - 5:39
Mrs. Louise Newcomb	5:39 - 5:42
Elks' Men's Chorus	5:42 - 5:46
Introduction of Guests	5:46 - 5:49
Mary Schulte, 4-H War Bond Chairman	5:49 - 5:51
Mayor Eahn	5:51 - 5:54
Gov. Hickenlooper (At introduction of governor, band to play few bars of "Iowa Corn Song")	5:54 - 5:59
Secretary Morgenthau	5:59 - 6:04

Zansig to carry program with songs, band music
and chorus until "WE THE PEOPLE" director takes
over at approximately 6:15.

Program Chairman, B. T. Perrine

Stage Manager, Orville Rennie

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 24,
1943TO: Secretary Morgenthau
FROM: Robert A. LeRoux *R.A.L.*

SALT LAKE CITY

Arriving here at 9:30 o'clock Thursday morning, April 22nd, my first contact was with Mr. David Moffat, Deputy State Administrator of the War Savings Staff, to whom I presented the letter of introduction provided me by Mr. Houghteling. Mr. Moffat suggested the program which I carried out during my three days in Utah.

My first interview in Salt Lake was with Mr. Stanley Duffin, President of the Utah State Industrial Council (C.I.O.). The Council recently moved its headquarters, from a suite of offices in the Benion Building to street-floor quarters at 21 East First South Street, and immediately upon our meeting, Mr. Duffin proudly pointed to the fact that the two large windows on this prominent thoroughfare were devoted exclusively to displays of posters and booklets for the War Bonds Campaign. Mr. Duffin suggested the officials whom I should contact at Garfield, which Mr. Houghteling had stated was the "sore spot" in the entire Utah set-up, according to his office records.

Thursday afternoon, I made both Garfield and Magna, the former a smelting operation by the American Smelting & Refining Company and the latter smelter operated by the Utah Copper Company. I found that the lack of co-operation for the War Bonds program between management and labor, which had previously prevailed, had practically been eliminated, and officials of the C.I.O. Local stated that its workers on the American Smelting & Refining Company operation were now participating 97% in payroll purchases, with an average of close to 10%. On the Utah Copper Company operation at Magna, officials of the Independent Union stated that participation and average had shown marked increase in recent weeks and that marked gains could be assured for the future.

In my personal contacts with individual mill employees at both Garfield and Magna, there were some references to "sky high" prices" for foods, clothing and household needs far in excess of any benefits the workers may have accrued from wage increases, but it was unusual and refreshing to note the utter lack of criticism of the President on labor policies or of any of the agencies of the Federal Government. As an official of the C.I.O. remarked: "Our President has the world's biggest job to perform, and if workers and management will do their mite nearly as patriotically and well as he is doing his job, we'll be entitled to credit for our share of praise."

BINGHAM:--This operation by the Utah Copper Company also has been a rather weak spot in the Bond Sale program, but Frank West, vice president of the State Industrial Union Council, who resides here, says this situation is being cleared up rapidly and should be entirely remedied within the coming month. Quite a percentage of workers here are Mormons, and many of these have refrained from bond purchases because of the criticisms heaped on the war program and the Roosevelt Administration by J. Reuben Clark, one of the two Councillors of the Church of Jesus Christ of Latter Day Saints. With Heber J. Grant, President of the Church, now well along in his eighties, feeble and inactive, direction of church affairs has been delegated to Mr. D. O. McKay and J. Reuben Clark, and the latter really "runs things." Clark formerly was Ambassador to Mexico under President Hoover and has ever been critical of President Roosevelt and his program. Bingham workers say that if Clark, as spokesman, had instructed the Bishopric to urge purchase of bonds, faithful flocks would have readily responded, but his refusal to participate has been regarded by many Mormons as indicating that the program does not have church approval. (Note: As regards the foregoing, Mr. Moffat says Mr. Charles R. Mabey, State Administrator, belongs to the same Republican group of which Clark is a member but has been unable to sway him from his antagonistic attitude. While Clark asserts the War Bonds

program is the first sensible thing the Roosevelt Administration has brought out, he feels the Administration has brought war troubles on itself. He is an isolationist of the deepest dye. Despite this attitude by Clark, the Church as an organization regularly purchases Series G Bonds, while the Zion Cooperative Mercantile Institute and other Church-owned institutions have participated splendidly in the program, conclusively showing that Clark's antagonism has not filtered down to the church-controlled business organizations.)

PARK CITY:--This is a comparatively small smelter operation, but Ernest Maxwell, secretary of Local 99, of the United Miners, Muckers & Smelter Workers Union, and Carl Thelkie, local War Bonds Committee chairman, stated that, with the exception of babes in arms, every person in Park City was purchasing bonds and stamps. Payroll participation was 98% for an average of 10%. John C. Green, postmaster at Park City, stated that through his office, his daily sales of stamps and bonds averaged \$350.00, while weekly stamp sales in the schools averaged \$425.00. Based on a population of 4,004, Mr. Green regarded this showing as most commendable. Mr. Green stated that in Park City each year, there are 39 different local solicitations--Red Cross, Community Center, Infantile Paralysis, Community Church, Tuberculosis Seals, School Band, baseball club, etc.,--and he suggested that in these smaller communities,

it is necessary to stage Barnum-like salesmanships from time-to-time to spur enthusiasm. He cited that some weeks ago, the visit of a soldier who had been in service in North Africa and was on leave to see his parents, spurred up bond and stamp sales remarkably during the week of his stay.. He remarked that if the Army and Navy would permit soldiers and sailors on leave to appear before civic organizations and merely outline the training program they have undergone; how well they are fed and clothed and the tremendous cost of such training, (without their revealing any military secrets), such a plan would prove beneficial both in enthusiasm and sales.

PROVO:--The Geneva Steel Company plant is a \$1,600,000 project which employs 7,754 men and women in both administrative and construction branches, the latter numbering more than 5,800. I had a most interesting conference with Mr. Frank A. Noller, secretary of the Building and Construction Trades Council, who administers the affairs of the 19 trades councils and the 23 Locals represented on the Geneva Steel Company job. Mr. Noller pointed out that in the early days of this project, the Administrative groups led in the Bond Sale Score Card, but that now, this has been reversed whereby the construction groups lead, with 12 groups averaging from 10% to 21% of payroll invested and 89% to 100% of employees participating. Heading the score card is the Chicago Bridge & Iron Company with 100% participation and 21% of payroll invested; No. 2 is Ryberg-

Strong & Grant with 100% and 15%, and No. 3 is the Cleveland Steel Erecting Company with 100% and 14%. All of the contractors, Mr. Noller stated, are enthusiastically behind the War Bond Program and are cooperating fully with the Building Trades Council in respecting the obligation which the workers are asked to sign when they are given their Job Clearance Cards, on the back of which is printed:

"The undersigned agrees to _____ percent payroll deduction for WAR SAVINGS BONDS AND STAMPS. Signature _____."

(Note: Copy of Job Clearance Card enclosed.)

Individual workers say that while there was complaint at first that there was unnecessary delay in delivery of the bonds following purchase through payroll deductions, this situation has now been remedied and no criticism is now found. The men feel the President and the Army and Navy are handling the war problem satisfactorily, and they are proud of their participation, both from a patriotic and a production standpoint.

I am sending you under separate cover, copies of three recent issues of "The Labor Broadcast." owned and published by the Building and Construction Trades Council of Salt Lake City, and Mr. Noller asked that I draw your attention particularly to the March-April number, with its front page illustration; playing up of the Second War Bond Drive slogan; the Radio Editorial by W.O. Dix, "Labor's Part in the War Effort;" other articles; the Stars and Stripes colored

feature," Construction Men--Help Engineer the Victory," and the double-page spread urging enlistments in the U.S. Army Engineer Corps. He asked that you note that all covers are given over to the war effort. Mr. Noller also asked that Secretary Morgenthau be advised that his Building and Construction Trades Council has a signed contract for a half-hour on the National and Mutual state hook-ups for every Saturday night and that, for the last two months, the almost exclusive subject has been the importance of the obligation to get behind the War Bonds program unsparingly. He has particularly stressed to housewives the need for their making sacrifices in their standard of living so that all possible spare funds could be made to work for Victory.

SUMMATION:--With everyone in the State of Utah jubilant over the fact that the State "went over the top" in the Second War Bond Drive; that it believes Utah to have been the first to reach its quota, and that with a quota of \$50,000,000, sales at noon today were near or past the \$52,000,000 mark, on every hand one heard nothing but praise for the work of State Administrator Charles R. Mabey and his Assistant, Mr. David Howie Moffat, who has withdrawn from his law firm to devote his entire attention to the work of the War Savings Staff. This explains the fact that this report (with the exception of the reference to Mr. J. Reuben Clark), is entirely lacking in individual criticisms of the program and carries but a few minor suggestions.

In all communities, I contacted many individuals--store-keepers and workers--and all expressed satisfaction with the conduct of the war under the Commander-in-Chief and his aides and with the program for the financing of the war because of the opportunity given individuals to help finance it and because of the opportunity given these individuals to effect savings from their earnings. Organized labor as groups appeared particularly eager that their loyalty to the President and the Administration be not questioned. For instance, at Garfield, the local C.I.O. drew attention to the fact that only last Saturday, the Local had purchased \$4,000 in bonds with funds from its treasury, bringing its total of War Bonds holdings to \$11,000, while Mr. Noller, of the Building and Construction Trades Council, stated that all 23 of the Unions in his Council have invested most of their union treasury funds in Bonds and are continuing to do so regularly.

Under Secretary

Exp. Loans - War
Finance Committee

April 24, 1943

Honorable Henry Morgenthau, Jr.,
Roosevelt Hotel,
Cedar Rapids, Iowa.

No change in banking figures. Nonbanking: Certificates
2,564; 2% bond 2,021; 2-1/2% bond 3,230. Savings
bonds 790, of which 560 Series E; 51 Series F;
179 Series G. Tax notes 985. Total nonbanking 9,590.
Total 12,328.

BELL

DVB:NLE

Page 1

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

Marketable issues:

Market purchases 1/.....

Market sales 1/1	7
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Direct purchases from treasury	+4
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Maturities..... -2

Special one-day certificate 2/1

Net Increase..... 4

Net Increase.....	-4
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Column 3 shows price changes in 32nds for all securities except certificates. For certificates, Column 3 shows yield changes in decimals.

STRICTLY CONFIDENTIAL

[illegible]

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

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

Regraded Unclassified

Collecting Internal
Revenue 1943

April 24, 1943

HON. HENRY MORGENTHAU, Jr.
HOTEL ROOSEVELT
CEDAR RAPIDS, IOWA

WAYS AND MEANS COMMITTEE HAS JUST VOTED OUT BILL INTRODUCED
BY DOUGHTON WITH TWO AMENDMENTS - ONE SLIGHTLY POSTPONING
PAYMENT DATES OF UNFORGIVEN TAXES AND TWO REDUCING THE DISCOUNT
STOP WE DID NOT OBJECT TO FORMER AMENDMENT AND GREATLY FAVORED
SECOND AMENDMENT STOP DEBATE SET FOR MAY THREE VOTE MAY FOUR
STOP THERE WILL BE NO RULE AND AMENDMENTS MAY BE OFFERED STOP
ROBERTSON AND FORAND EXPECT TO PRESENT THEIR PLAN AND DISNEY
MAY OFFER ANOTHER PLAN INVOLVING NO FORGIVENESS AND ONLY
COLLECTION AT SOURCE STOP FIRST VOTE WILL COME ON REPUBLICAN
PLAN STOP IF THIS IS BEATEN OTHER PLANS WILL BE OFFERED STOP
YOUR TELEGRAM OF APRIL TWENTY TWO MERELY SAID THAT DOUGHTON
WAS ABOUT TO INTRODUCE TAX BILL ACCEPTABLE TO TREASURY STOP
DIFFICULT TO MAKE ANY PREDICTION AS TO WHETHER DOUGHTON PLAN
REPORTED OUT BY COMMITTEE WILL SECURE HOUSE APPROVAL STOP
COMMITTEE TRYING TO MAKE ARRANGEMENTS TO HAVE DOUGHTON ON
NATIONAL HOOK-UP POSSIBLY NEXT TUESDAY IN SUPPORT OF HIS BILL

(Signed) Randolph Paul
RANDOLPH PAUL

C
O
P
Y

VCH

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (RR)

Chungking via N.R.

Dated April 24, 1943

Rec'd 11:35 p.m.

Secretary of State

Washington

Strictly Confidential

591. April 24, 2 p.m.

Drumwright at Chengtu informed by university student who departed from Peiping March 17 that North China economic situation becoming strained. Commodity prices have risen precipitately while wages and salaries held down. Much complaint among Chinese who ascribe their troubles to Japanese. Rationing grains instituted about two months ago, each person being allowed about one catty wheat flour and inedible corn meal daily. Black market flourishing and enemy nationals interned Peiping area compelled purchase rationed commodities at exorbitant prices.

INFORM BEW.

VINCENT

WSE

Copy:imc
4/27/43

Distributed to: Secretary (Mr. Friedman); Mr. D. W. Bell (Mr. Dietrich); Mr. Paul; Mr. White (Mr. Friedman-Orig.); Mr. Bernstein; Mr. Taylor; Mr. Friedman; Mr. Luxford; Mr. Knobe.

From E. Hynes - Rm. 225

TELEGRAM SENT

WVS
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

April 24, 1943
6 p.m.

AMERICAN EMBASSY

CHUNGKING

534

FOR ADLER FROM THE SECRETARY OF THE TREASURY.

Part I.: Please transmit the following message to
Dr. Kung:

To Dr. Kung from Secretary Morgenthau:

In connection with the U.S. Treasury's preliminary
draft of a proposal for an International Stabilization
Fund of the United and Associated Nations, which was for-
warded to you through Mr. Hsi To-mou, I would appreciate
if you would inform me when Chinese technical experts
might be expected to come to Washington to give your
preliminary reaction to this draft proposal and to discuss
with our technical experts the feasibility of international
monetary cooperation along the lines suggested in our
draft proposal.

Part II. Please make clear to Dr. Kung in transmitting
this message to him that the technical experts are being
requested to come to Washington for preliminary discussions
of an exploratory character. It is desired to complete
bilateral exploratory discussions between the Chinese
experts and

-2-, # 554, April 24, 6p.m. to Chungking

experts and the United States experts before beginning informal group meetings of experts which are to be held soon, if possible. These informal meetings of experts are not to be confused with a formal conference of Finance Ministers which will be called for at a later date, if an adequate area of agreement emerges from the discussions among the experts.

HULL
(FL)

FD:FL:EM

NOT TO BE RE-TRANSMITTEDOPTEL NO. 133

Information received up to 7 A.M. 24th April, 1943.

NAVAL

On 19/20th Destroyers and light craft from Bone attacked three E-Boats off Bizerta. One was badly damaged and on fire and retired behind smoke. The other two were also hit. Enemy night fighters unsuccessfully attacked our forces but appeared to hit the E-Boats. H.M. Submarines report as follows:

On 11th one attacked a heavily escorted convoy of three ships off Palermo and torpedoed a 2,000 ton ship.

One sank a 1,000 ton ship off Port Vendres.

On 12th one torpedoed and probably sank two 3,000 ton ships off Toulon and on 14th sank a French 2,000 ton ship off Genoa.

On 14th one shelled and sank a 500 ton tanker off Corsica and on 15th torpedoed a 1,000 ton sailing ship which blew up in the Strait of Bonifacio.

2. MILITARY

TUNISIA: To midnight on 22nd.

EIGHTH ARMY: All ground gained was firmly held despite enemy counter attacks.

FIRST ARMY: 9th Corps attacked with two Brigades Eastwards from the line of the Bou Arada-Goubellat Road. On the right our infantry reached the high ground South West of the Kourzia Salt Lake but enemy counter attacks later forced them back about two miles. Churchill tanks operating with them suffered heavily from mines. On the left Goubellat was occupied without opposition. Our troops were at first held up but later made good progress and occupied the high ground round Argoub Serrish 8 miles North East of Bou Arada. Our armour was then passed through and was last reported in contact with the enemy in the area immediately North and Northwest of the Kourzia Salt Lake. In the Northern sector U.S. forces have advanced from Sedjenane towards Del Aouana.

3. AIR OPERATIONS

WESTERN FRONT: 23rd/24th. Six aircraft flew over this country including one over the London area.

TUNISIA: On 20th and 21st Fighter Bombers and U.S. light and medium bombers attacked several enemy airfields.

On 20th/21st Bisleys dropped 12 tons on roads and railways in the Massicault and Mateur Areas.

21st/22nd. 12 enemy aircraft bombed one of our airfields causing slight damage.

On 22nd. Kittyhawks and Spitfires intercepted a heavily escorted formation of about twenty M.E. 323 powered gliders flying towards Tunis, all the gliders and ten fighters were destroyed. Four Kittyhawks missing.

SICILY: 22nd. 11 escorted Spitfires bombed a military camp near Pozzallo.

BURMA: On 21st/22nd and 23rd Allied aircraft bombed Bangkok, Rangoon, enemy positions in the Mayu Area and several airfields.

British Most Secret
U.S. Secret

OPTEL NO. 137

Following is supplementary resume of operational events covering the period 17th - 24th April, 1943.

1. NAVAL

In 6 engagements with the enemy, H.M. Light Forces sank 2 armed trawlers, probably sank another, and damaged 4 other ships.

MEDITERRANEAN. SOUSSE Harbour is open and 2 berths for 400 ft. ships are available. H.M. Light Forces from BONE in 4 engagements badly damaged 1 E-Boat, hit 3 others and set fire to heavily escorted 4,000 ton merchantman. 1 Large and 1 small tanker and 2 small merchantmen reported sunk by H.M. Submarines. 3 Merchantmen probably sunk and another damaged. 2 Storeships and a tanker reached MALTA in convoy on 22nd.

SUBMARINE WARFARE. Rate of U-Boat construction is considered to have increased to 25 per month. Recruiting for U-Boat Service is expanding. Week ending 21st, 40 attacks on U-Boats of which 4 promising. U-Boat activity concentrated South of GREENLAND. Week ending 18th, 2 homeward bound Ocean Convoys arrived without loss.

SHIPPING CASUALTIES. During the week 17th to 23rd, 9 ships were reported torpedoed and presumed sunk: 1 British ship in homeward convoy in North-West Approaches, 2 British ships in outward convoy, 1 Norwegian Ship in another outward convoy and 1 British Straggler, all South of CAPE FAREWELL: 1 British ship South of FREETOWN, 1 U.S. Ship South-East of DURBAN and 1 French and 1 Panamanian ship in Convoy in the MEDITERRANEAN. In addition a British Tanker and a Dutch Ship were damaged by aircraft at BONE HARBOUR and a British ship was sunk by a mine off CLACTON. 1 Swedish ship is overdue at CAPE TOWN.

TRADE. Imports in Convoy in United Kingdom week ending 17th. 577,000 tons including 196,000 Oil.

ENEMY SHIPPING. During February and March 91 ships totalling 265,189 tons were sunk of these 67 totalling 178,783 tons in MEDITERRANEAN.

2. MILITARY

TUNISIA. 1st Army. U.S. Forces have taken over the Northern Sector. Estimated Axis combatant strength and intentions - no change Axis Divisions. Estimate serviceable tanks approximately same as last week as reinforcements considered to counter-balance casualties. Indications of further Axis Reinforcements suggest no thought yet of evacuation.

BURMA. Japanese inactivity has revived HOMA-LIN-PAUNG-BILIN Area with patrol clashes and enemy shelling west bank of river. Enemy recently re-inforced PANTHA-SIDA Area where up to 2 Battalions now available. This may indicate possible limited offensive against our L of C. TALU Area.

3. AIR OPERATIONS

WESTERN FRONT. Night. 807 bombers operated, 35 missing. 416 tons on SPEZIA, attack considered successful. Damage to SAN VITO Works, 782 tons, attack most successful. Widespread damage in South part of town. 80 acres of Chemical Products Works at POWERENDSDORF-LILCH devastated. 117 tons on ROSTOCK same night. 6½ acres of works in NEPTUNE Shipyards destroyed. Attack on PILZEN reported last week believed unsuccessful. Attack on LAUSHEL successful. Damage to I.G. FARBEINDUSTRIE and 8 acres in ROCKS Area. Day. Successful attack on Focke Wulf Factory, BREMEN by U.S. Fortresses. 223 tons bombs dropped and considerable damage inflicted. Total enemy aircraft destroyed during week 72. We lost 24. 1717 enemy aircraft probably all Fighter-Bombers operated at night over the United Kingdom. On 1 night 2 F.W. 190's crashed and 2 force-landed; 1 of them intact on an R.A.F. Airfield.

COASTAL. In attacks by torpedo and bomb-carrying aircraft on convoys off the Dutch Coast ships estimated totalling 195,000 tons were hit and escort vessels shot at.

TUNISIA. Further successful interceptions of enemy transport aircraft, frequent bombing of the Docks at BIZERIA and TUNIS and enemy landing grounds in the area. Comparatively small scale enemy attacks on our landing grounds. During the week 164 enemy claimed destroyed. Our losses 38 aircraft.

MEDITERRANEAN. 4 heavy attacks on PALERMO, 2 on CATANIA and 2 on NAPLES. Airfields in SARDINIA and SICILY also attacked. At least 4 ships hit and 6,000 ton tanker torpedoed in the SICILIAN Channel.

RUSSIA. Russian Air Activity seemed greater than last week, probably partly due to better weather. Directed chiefly against German Air Forces rather than ground troops. Russian Long-Range Bombers made further raids on DANZIG, KOENIGSBERG, and TILSIT. German Air Force operated in some strength in TALAN. Probable that units in CRILIA have been reinforced from DONETS front.

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

STUTTGART. Damage is mainly in north and north-east districts. A Power Station, Engineering Works, Sugar Factory and other industrial buildings damaged and about 30 acres devastated by fire and H.E. Severe damage to railway repair shops.

Suburb of MULHAUSEN has suffered heavily.

MANNHEIM. Damage by fire and H.E. at I.G. FARBENINDUSTRIE includes Synthetic Oil Laboratory and another Research Laboratory, Power Station appeared inactive. Heavy damage in Docks area and among factories in and around the town.

MAUN. Railway Station hit and Tramway Depot burnt out.

BREMEN. Daylight Raid. Considerable damage to Focke-Wulf works notably to Gun-Testing Range, 2 Sub-Assembly Shops and 2 Hangars.

BREST. Photographs taken during raid on 3rd, show bombs bursting on the Naval Arsenal. Reported machine and Electric Works damaged and a Munitions Depot blown up. Town Power Station severely damaged by fire.

5. HOME SECURITY.

Estimated Civilian casualties week ending 21st: killed - 12, seriously wounded - 49.