

DIARY

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Book 635

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War Savings Bonds
See Financing, Government

May 19, 1943
9:30 A. M.

1 ✓

Robert Doughton: All right, thank you. How are you?

HMJr: Fine. You did a swell job there the other - yesterday - the other day - yesterday.

D: The boys did pretty well, didn't they?

HMJr: I should think so. In - in baseball, three strikes are out, aren't they?

D: How is that?

HMJr: In baseball, three strikes are out.

D: Yeah. That's what I said, three times you try and sink them they won't come up.

HMJr: Yeah, yes, and I feel very happy. I think you did a wonderful job on the floor.

D: Do you think so?

HMJr: Yeah.

D: Well, did you read my speech?

HMJr: I sure did.

D: They've got one word in there, got "reject" where it ought to be "accept", but I'll correct that.

HMJr: Yeah.

D: Well, you can't - I did the best I could.

HMJr: Well, nobody could do any better.

D: Well, I thank you. I thank you. Well, the President's letter was very helpful and your boys were helpful, everybody - and the leadership did fine. Rayburn and McCormack, they cooperated fine.

HMJr: Yeah.

D: We had fine team..... - well, we had so many boys away, you know.

HMJr: I know.

D: And it was a wonder we beat them at all.

HMJr: Yeah.

D: But we have - I'm glad we knocked them out, and I appreciate your calling me and we're ready to go along the best we can now.

HMJr: Well, God bless you.

D: Thank you. They're coming down - Paul and his crew are coming down this morning to go over the - some of these amendments so we'll know what we're talking about.

HMJr: Good.

D: Well, all right. Thank you for calling. Goodbye.

HMJr: All right.

May 19, 1943
10:00 a.m.

FINANCING - (Advertising)

Present: Mr. Bell
 Mr. Gaston
 Mr. Gamble
 Mr. Smith
 Mr. LaRoche
 Mr. Rogers

H.M.JR: Well, now, Rogers, is this meeting at your request or Mr. LaRoche's?

MR. ROGERS: It was a joint request when we asked for it in the beginning. I know what the idea was - what we would like to talk with you about.

I will let Chet do it.

MR. LA ROCHE: What we wanted to do was report to you on our activity with the newspapers of this country, and it is a report on the basis of about three or four months' work on the part of myself and other members of the Council.

The problem goes back to the radio allocation plan when the Treasury had a great deal of time because it had the most pressing problem.

H.M.JR: Also the best people - also a good staff.

MR. LA ROCHE: That is right, and then there followed, as you know, many other requests from other departments. OWI, at that time, was under MacLeish. Finally the advertisers said, "If the Government cannot combine these requests and rate the importance of these things, then there is no order - each thing defeats itself because there is so much conflict. We don't see where the end is - where our time is being taken up every day by aggressive groups after our time."

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So at that time we said to MacLeish, "Let's pool the whole job, organize it, or we will all lose - we will lose the support of the advertisers."

As you know, that was worked out, and I think to everybody's satisfaction.

Now, last summer we noticed in making our studies of the amount of space contributed by the newspapers and advertisers to the Treasury job, that as soon as a well-organized, clean-cut job came along from somebody else, whether it was a local job or a job from us or OWI requesting space for the absenteeism problem, or what not, if the thing seemed important locally and if it was well presented, the space was withdrawn from the Treasury and allocated to this new problem.

Now, on top of that, we find that locally the advertisers and the newspapers are beginning to fret and worry and say, "Well, where is the end of this? First one group comes around saying that absenteeism is vital - or something - rationing, or black markets. And then we know the Treasury thing is vital. Now, we are getting hundreds of requests a month for space. Now, how do we organize the thing? Which is most important?"

Now, that kind of effort - that kind of pressure on these fellows makes them lose their concern and interest, and makes them fed up with the whole thing.

So as a result of that, I went out to Chicago, and I have been up to Boston, Philadelphia, and Detroit, and other cities, and have sent Allen around - he has been up in Portland and Hartford - been around two months - also worked with the top newspapermen like Tripp, Friendly, and the rest of them.

We feel very definitely, first of all, that we will be able to get probably more support for the war effort to explain the problems of the war to the people from the newspapers than from almost any other medium.

I mean by that that the radio method is pretty well organized. There is not much more stretch in that - not

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much more that you can get. Outdoor is doing about all that it can do.

In magazines the effort there has got to come, and the support has got to come, from the conversion of present advertising. That is coming along fairly well. The magazines themselves are contributing a page a month in virtually every issue and that will probably be on inflation, and to that extent ought to help our whole effort.

So the big amount of space can come from the newspapers themselves and local advertising. There is seven hundred million dollars' worth of available space there, in total, which is far bigger than any other source that there is.

Now, we find this, that the newspapers will be able to get, I believe, two or three pages a week from advertising, and if necessary they will contribute the rest, I think, to make the equivalent of about three pages a week of space. That is our present effort.

We have been up to Portland, as I say, and we were in Pittsburgh yesterday, and our talks with the newspapers - we bring the newspapers, radio, and Outdoor - all three have local mediums - into the meeting, suggest to them that there be a sponsorship by leading citizens of the whole effort so that no one medium will get all of the credit and that this space be allocated in terms of the problem that you first anticipate the need - get the space of one section of advertisers maybe for six months, then go get the rest of the space for another six months, instead of going out every month and asking for this and that and the other space.

Now, I believe that within the next two or three months we can have this country pretty well organized - at least two hundred cities - with their reservoir of space available there for the needs of the Government.

Now, our concern is that the Treasury Department doesn't feel - "Well, now, we ought to have those three

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pages; we ought to have all of it." Up in Hartford they went out and got two pages a week - both of the newspapers.

H.M.JR: The Treasury?

MR. LA ROCHE: They went out and got it for the Treasury. That space will not stick for the Treasury. First of all, it is too much. You have done the town to death. It would be wasteful - it would be criticized. You don't need that much support there. Anyway, even if they get it for the Treasury, these other things come along - they are new, they are pressing, they are important.

That question of absenteeism - of nutrition - a fellow up there like Wilson of Pratt and Whitney will say, "That is a local problem; devote some of the space to that." And the newspapers will.

So it is better to have an understanding and stake out a proper amount that you feel is satisfactory, and also do the job for the other pressing problems.

H.M.JR: In other words, our boys have been pretty good in getting space.

MR. LA ROCHE: Very good. They have been good and OWI has not done anything, really, or done very little.

MR. ROGERS: That is right.

MR. LA ROCHE: If OWI puts on a man, then you are going to have competition, but we don't want that. We want to be together in the thing. We want to have an organized effort.

H.M.JR: Well, now, one thing, Mr. LaRoche, which isn't quite clear in my mind - and don't misunderstand what I am going to say - just on the question of organization, has OWI sort of turned us over to the Advertising Council? Now, just where does the authority begin and end? It isn't quite clear in my mind.

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MR. LA ROCHE: The authority is in the hands of the local groups and the local committee, whatever it may be - or the newspapers almost more than anybody else - which goes back to Tripp, which goes back to the Council under Mike Cowles' organizing effort, and goes back here.

MR. ROGERS: You are thinking of the definite allocation.

MR. BELL: It doesn't begin and end at all.

MR. ROGERS: You are thinking of the definite allocation and who makes the decision.

H.M.JR: Supposing I agree and then I feel I am being chiseled, who do I kick to - you or this fellow (Rogers)?

MR. GAMBLE: As it is set up, if the plan were successful, when it once got into operation it would be an OWI allocation plan.

MR. LA ROCHE: I am not so sure of that.

MR. GASTON: There are two ends to it, Mr. LaRoche: One is the coordination of the Government requests and then on the other end comes the decision of the men who can grant the requests or modify them to suit their own - they are running their own publications. It is not a question of order. It is a question of one coordination - coordination on the Government end and coordination on the other end.

H.M.JR: For instance, I have been amazed - I don't even know where it comes from - to see all these pages of the Washington newspapers right now for the Treasury.

MR. GAMBLE: There were forty thousand ads run in the Second War Loan in the daily newspapers of the United States. Of those forty thousand ads, one-third of them were Treasury ads that originated in the Treasury; two-thirds of those ads were ads that originated in the communities as a result of the War Bond work that had been done there.

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MR. LA ROCHE: Local solicitation to make them put up the money.

H.M.JR: I am talking about right now - this week.

MR. GAMBLE: Those are coming from the War Savings organization and they are the follow-up of the Second War Loan advertisements built around family income and the pay-roll savings, and the continuous program of the sale of War Bonds. Those originated in Washington.

H.M.JR: That is what LaRoche has run into.

MR. GAMBLE: That is right. I might add, we have in four cities this plan in operation on our own, which is nothing but a Treasury plan, and we have three cities all ready to start, Philadelphia, Chicago, and New York, where we have gone out and sold, as you know, Chet, through the advertisers of the newspapers in New York. This plan is in operation. I think you sat in on some of the meetings - at least, some of your people did - and we have a plan where we sell advertisers on a fifty-two-week plan of sponsoring the War Bond advertisement.

We have in several hundred cities today a fifty-two-week plan; not the advertisers' plan, but where individual advertisers have agreed to buy and sponsor War Bond advertising on a fifty-two-week basis.

I think one of the big complications is, what are we going to do in those cities where papers have gone out and signed individual advertisers on fifty-two-week sponsorship of some type of War Bond advertising. I have a list of them.

H.M.JR: My question hasn't been answered.

MR. LA ROCHE: Who is running this thing? All right, let's answer that question. This whole effort is not being run by anybody. The Advertising Council is probably the most active group of people in the general over-all philosophy and effort, but you are running an effort of your own here - the Treasury Department. You are going out and getting a certain amount of space. That is point one.

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Point two is, OWI is considering doing the same thing - considering the possibility of putting on a newspaperman who will go out and get space.

H.M. JR: By gawd, if they come over to take mine there is going to be hell to pay. That is what they all do - the first thing they do is - what is the name of this fellow that we have?

MR. ROGERS: Bridge.

H.M. JR: That will be the first one they want.

MR. LA ROCHE: All right, Mr. Secretary, remember that Mike Cowles suggested this idea of getting the newspapermen together, bringing them in with you and organizing this thing to get this space.

H.M. JR: That is what I am coming to. We will keep coming back to the point. Just as a lateral thing, I was asking you where the hell does this Allied Newspaper Council come into this thing?

MR. LA ROCHE: The Allied Newspaper Council, at this moment, is the servant of the Treasury Department, concerned with getting space for the Treasury Department. That is its present concern.

Now, we are trying to look ahead a little bit. They will be requested, probably - they have not been requested yet - by OWI to concern themselves, too, with space for these other problems.

So we are saying to you, "This is coming up; let's discuss the matter." How are we going to approach it? Is it better to have Don Bridge when he sells the fifty-two pages for the Treasury say, "In addition, you should have fifty-two pages for these other problems," or should OWI put a man in who, after Don Bridge gets fifty-two, goes out and says, "You ought to have fifty-two pages for these other problems"?

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How do you want to operate this thing?

H.M.JR: We still come back to my original question. Who is going to run the thing? Is it going to be the Advertising Council, the Allied Newspaper Council, or the OWI?

MR. LA ROCHE: Let's look at our experience - who runs the radio allocation plan? That is run by and given direction by the OWI - they allocate the space. They have formed the pool there, and through agreement on the part of all of us, we say, "All right, you apportion these subjects."

Now, you are not going to have the same problem or the same answer - it will not work in the case of the newspapers. Why? In the case of the radio allocation plan, that is the allocation of commercial radio space by advertisers who say, "All right, we will give you a minute or two or three minutes in our show."

When you come to the newspapers, though, they have far different feelings about the Government and about the political situation. Some of them say to us, "Look, if this is for the present Government in Washington, we will have nothing to do with it. If it is for the people, if it is to help everybody, all right, we will go along."

We say, "This is in the interests of the people. Sure, you have to have instructions from the Government as to what they think is the most important thing; you can pay attention to it as you wish, or not. That is up to you."

So you do have a different problem there on the part of the newspapers than you run into on radio.

H.M.JR: So it is not so easy.

MR. GAMBLE: May I ask a question which may throw a little light on it for the Secretary? I am not now speaking against the plan, but I read the plan Mr. Allen wrote.

H.M.JR: Who is Mr. Allen?

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MR. GAMBLE: Advertising Council man.

MR. LA ROCHE: Assigned to this job.

MR. GAMBLE: He works very closely with the OWI. He stated in his plan that it is entirely possible the Treasury might come out of this operation with as high as thirty percent of the continuing advertising. Now, isn't it true that if they came out of it with thirty percent it would, in all probability, be a considerable reduction from what the Treasury is now getting?

MR. LA ROCHE: I would say yes if it is the present amount of advertising in most of the cities, but if it is thirty percent of a much larger amount, it conceivably could be bigger.

H.M.JR: Let me ask you this. I always remember the story - I don't know whether it is true or not, but it is a good story to illustrate it. When Old Gold started out they started in some town in New England and took a State and then they spread out through New England; in other words, they tested the thing.

MR. LA ROCHE: What they were doing was getting local distribution before they went national. It is not a test.

H.M.JR: Locally before they went national - couldn't this thing be tested before we all commit ourselves?

MR. LA ROCHE: There isn't any test you can make that would be new over and above what we are now doing. It is being tested all the time. The basic idea of getting local support has been tested. We know there is the support.

H.M.JR: What you fellows are saying to me, except you are being a little polite about it - I am not used to being dealt with so politely-- (Laughter)

MR. LA ROCHE: Not trying to be polite - we are trying to get at the problem.

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H.M.JR: Well, we have got something going pretty good right now. OWI has been asleep at the switch. It looks like we might be in kind of a clash because we have some of these people tied up for fifty-two weeks, and that sort of thing. It is a question of getting together.

MR. LA ROCHE: Yes, a question of having order. Let me speak for Mike Cowles; he hasn't been asleep at the switch. The pressing problem that we faced when Jim went over there, and when we discussed this thing, was to get the space for the Treasury. The definite problem was here and it was imminent, and the other problems were not so pressing. You discussed the matter with him and we set up this Allied Newspaper Council. We got that space.

Now these other things are coming up, they are getting pressing, and they are beginning to take shape - like absenteeism, and those things.

Now, we have available ten thousand dollars that Mike has assigned to the Advertising Council to prepare copy for these various subjects - absenteeism, inflation, and so forth. The material will go out.

I am simply saying to you that if there isn't order, if it isn't understood, all those requests - eight or nine will go out and blanket your effort, and in the end you will have trouble getting space because you get into a competitive situation, then, where OWI is after this space with the local groups. We say, "This is more important," and we all lose out. We annoy the source of this stuff so much they say, "The devil with this thing. We are not going to cooperate."

I say, what we need is a plan.

H.M.JR: I can answer you without consulting anybody. I feel this way: Right now, let's say, we have the edge on you, but in the long run it isn't good for the country and it isn't good for the war effort to have this confusion; and I think that the thing to do is to all pool our efforts so that the thing which is the most critical at the time gets the boost.

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Now, I am going on this assumption, that the Advertising Council and OWI will agree that when we have a national drive, which will be two or three times a year - not more than that--

MR. BELL: Right.

H.M.JR: ...that that is the most important thing because we have got to get the money. Now, I will be in the market, so to speak, two or three times a year at the most, and when that is on, if we understand each other, that comes first.

MR. ROGERS: Oh, sure, no question about that.

MR. LA ROCHE: That is right.

H.M.JR: Then I think we should with the other little things - not little, but we ought to get support to a lesser degree on some of our things, like pay-roll deduction, which is good, when inflation and that sort of thing comes in the picture; but they shouldn't be dropped out of the picture.

MR. LA ROCHE: No, no.

MR. ROGERS: That is right.

H.M.JR: But I don't think pay-roll deduction should dominate newspaper advertising fifty-two weeks of the year. On the other hand, I think there should be continuation of the support for the advertisers for that because everybody agrees it is good.

Now, you people have treated me right; I have got confidence in you. We got wonderful support during the drive - OWI and the Council - everybody.

So I think the easiest thing on a thing like this is just to tell whoever is going to work it out to work it out with Ted Gamble. I am just laying down how I feel about it. But in the long run this constant confusion - that Washington doesn't know what it wants - hurts everybody.

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MR. GAMBLE: I think everybody is agreed on that. Fundamentally, we all think the same about it. We are all for coordination and for doing the job intelligently. I think we do have some differences in opinion which can be worked out.

H.M.JR: They have got to be worked out, but just as long as I say I am in favor of working it out - for the time being we have the edge, but I am willing to give it up and pool our interests as long as these fellows feel this, that when we have a drive on, that is number one.

MR. GAMBLE: Then, so long as we can protect those plans where good volunteer citizens and merchants themselves have entered into an agreement to do a job for the Treasury - we want to handle individual situations like that delicately.

MR. LA ROCHE: I don't see any effort to go back and take that space away.

MR. GAMBLE: Not go into St. Louis where they have these magnificent plans--

H.M.JR: Look, Ted, there is no use arguing about it. I think the thing is - you don't want to be bothered with this, Herbert.

MR. GASTON: No, I don't. I wanted to suggest something about copy, though, in this same connection.

H.M.JR: Go ahead - but if it is agreeable to you, Bell - is it?

MR. BELL: It makes sense to me.

H.M.JR: It is all right with you?

MR. BELL: Yes.

H.M.JR: Let's tell Ted - you have got full authority to go ahead and settle it, and I don't want to hear about it again. I don't want to hear about it.

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MR. GASTON: I think that is fine.

What I wanted to say is this: There is a great field here for coordination of copy. It isn't a question of just saying so much to inflation, or so much to OPA enforcement, and so much to bonds, and so on, but you have here a coordinated campaign addressed to the public. What you can do is you two can fit in and you can carry in a series of ads a list of the things, a group of things - how the individual can serve - including in every ad all of the different ends to it. And then you can vary your appeal in the individual ads. That is, you can concentrate, make your lead be on one thing one time and another another time, but keep grouping the things together to give evidence of a Governmental coordination on the problem.

MR. LA ROCHE: That will be done. A lot - the present problem on inflation, for example, the various things you can do to stop inflation.

H.M.JR: I hope that Stuart Peabody will be transferred from food on your Council to Treasury.

MR. LA ROCHE: That has been done.

H.M.JR: Good. That is fine. And then he has agreed, except when he has to make a field trip, to come down a day a week.

MR. LA ROCHE: He has been assigned to the Council to this job - Treasury job.

H.M.JR: That will mean that the previous man wasn't fired, but I understand he has other interests.

MR. LA ROCHE: Thomas - we have other things for him to do.

H.M.JR: His own business.

MR. LA ROCHE: He has a problem, but he is going to help me more on the general management of the whole situation.

H.M.JR: He was entirely satisfactory.

MR. LA ROCHE: A very able man.

H.M.JR: Then you will take another look at Mr. Lemmon, won't you?

MR. LA ROCHE: Yes.

H.M.JR: And I will be perfectly frank, I am not too happy - I don't know whether you know this, Bell, that Mr. Lemmon is paid twenty thousand dollars a year by Sterling Products to be contact man between the Advertising Council and the Treasury.

MR. BELL: No, I didn't know that. I don't know Mr. Lemmon very well.

H.M.JR: I have never been too happy about it. But again, Gamble, I give you full power on that to act with these people. That was something Stuart Peabody worked out, or was it you?

MR. LA ROCHE: Thomas and myself. Thomas pays the twenty thousand dollars - he gives us the man. It is hard to say, "Look, we don't want him." Lemmon is a good man but he is not a good man here, and Thomas is doing this for good will - as a gesture - as a helpful thing. Well, if he isn't helping, if he isn't creating good will, he is wasting his money. He had better save it.

H.M.JR: I don't think, necessarily, they agree with me.

MR. GAMBLE: No, I don't agree with you. Mr. Hill came down here himself when they offered the services of Lemmon, and he said that they would like to make a contribution. They weren't trying to find a way to do it, but that certainly--

H.M.JR: Is it a contribution?

- 15 -

MR. GAMBLE: It is a contribution.

H.M.JR: Does Lemmon make a contribution?

MR. GAMBLE: Yes, I think that both Stuart and Mr. Robbins changed their opinion of Mr. Lemmon.

MR. LA ROCHE: He is a good, orderly, experienced advertising man without a very forceful personality, and he doesn't have a lot of ideas, but he has--

MR. GAMBLE: Stuart told me yesterday he felt differently about Lemmon now than when he came here.

MR. LA ROCHE: I could get a better man for twenty thousand dollars.

H.M.JR: I will leave it with you and Peabody.

MR. GAMBLE: All right. I talked to Mr. Hill at the time - president of the company - and they had no strings attached to Mr. Lemmon.

H.M.JR: I want Fred Smith to know what is going on, but this isn't his field.

MR. LA ROCHE: He will be after a raise now when he hears that. (Laughter)

We look to Peabody now, or Thomas, or the Council Board, as the Treasury contact. Now, we look to our agency for the quality of the work. We look to Lemmon for orderly management, watching the detail and seeing that things are followed through. We do not look to him as the adviser - as the man in charge. He is a detail man.

MR. GAMBLE: If we didn't--

H.M.JR: I shouldn't look twenty thousand dollars in the mouth, what? (Laughter)

- 16 -

MR. LA ROCHE: No, I think it would be better, Mr. Secretary, if we had a man that everybody said, "Well, he is fine."

H.M.JR: He doesn't spark.

MR. LA ROCHE: No.

H.M.JR: But, now, we don't have the Advertising Council man, your Washington representative - he doesn't come in to a meeting like this.

MR. GAMBLE: That is why Lemmon was hired, Mr. Secretary, to do this.

H.M.JR: But they have a good man down there.

MR. LA ROCHE: We have a very able man. He will come to any meeting you want.

H.M.JR: I would like to meet him. They say is is a good copy man. He sparks, doesn't he?

MR. LA ROCHE: Yes.

H.M.JR: What is his name?

MR. LA ROCHE: Ted Ripley.

MR. GAMBLE: I was speaking of Allen.

H.M.JR: What else have you fellows got?

MR. LA ROCHE: That is about all.

H.M.JR: That clears the deck?

MR. LA ROCHE: That clears the deck.

H.M.JR: Bell?

MR. BELL: No.

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MR. GAMBLE: I think we will start this, Mr. Secretary, with a meeting of the Allied Newspaper Council, and have Mr. Tripp down.

H.M. JR: Listen, I don't want to hear about it. It is your responsibility.

May 19, 1943
10:35 a.m.

FINANCING (Distribution of Second War
Loan Booklet)

Present: Mr. Bell
Mr. Gaston
Mr. Gamble
Mr. Smith
Mr. Tickton
Mr. Lindow
Mr. Banyas

H.M.JR: What I want is - and, Gamble, get a piece of paper because it is going to be your responsibility - I want the advice of these people.

I want to take this booklet (indicating booklet entitled "The Story of America's Greatest War Loan") - Dan, have you seen it?

MR. BELL: No.

MR. SMITH: It is wonderful, it is grand. (Laughter)

H.M.JR: Incidentally, who helped you on it?

MR. SMITH: Banyas' group worked all night on it, and Lindow and Tickton worked with me on it from the time we left the meeting until three o'clock in the morning.

H.M.JR: Well, if you haven't seen it, it is a little story on the drive.

Number one, I want every bank - every member of the FDIC - the president of every one of the banks, about fifteen thousand of them - to get this. That is number one.

- 2 -

What I want to ask, Bell, is, should I get a mailing list from Leo Crowley and shoot it from Washington or should I ask the forty-eight State chairmen of War Bonds to distribute it to the banks?

You take, for instance, the Bank of America - it isn't just for Mr. Giannini to get it. I want the six hundred branches to get it. How do I do that?

MR. BELL: Well, you can send it to the Federal Reserve banks and ask them to send it to everybody on their mailing list, which means all of the banks and all their branches and all the financial institutions, insurance companies, and everybody else buying Government securities. They have a list of about twenty thousand.

H.M.JR: A list of about twenty thousand?

MR. BELL: Twenty or twenty-two thousand names they have on their list.

H.M.JR: A list developed for us?

MR. BELL: That is right. Every time we put out a circular on financing it goes to that list, and every bank is on that list.

H.M.JR: Would that be the branches, too?

MR. BELL: Yes.

H.M.JR: For instance, Marine Midland branches?

MR. BELL: Sure, all the branches.

H.M.JR: How would we do that?

MR. BELL: We would send that through the Public Debt Service to each bank - Federal Reserve bank.

H.M.JR: Would you do that?

- 3 -

MR. BELL: Yes, I will do that.

H.M.JR: It would be better for you to do it than Gamble.

MR. BELL: Yes, if it is going through Public Debt.

H.M.JR: I am very anxious that it go out promptly, Dan.

MR. GAMBLE: You want twenty thousand? There are only thirty thousand ordered on the original order. That is all they can multilith at one time without changing the plates, but we can have them probably by tomorrow. We can have part of them today.

MR. BELL: This week, is that - whenever they are ready we can send them out that night.

MR. GASTON: Don't you want your workers in the organization to get them just as soon - certainly not later than the banks get them?

H.M.JR: Well, that is the purpose of this meeting. Bell says he wants - can you find out exactly?

MR. BELL: Yes. I am not so sure they shouldn't go to everybody who worked on the last campaign, the committees, and so on.

H.M.JR: I think they should.

MR. SMITH: I think so.

MR. BELL: We could probably use your thirty thousand by telling the Federal Reserve people that you want it to go to everybody on their mailing list who would normally get Treasury financing circulars, as well as to go to all of the committees and their workers in the last campaign.

H.M.JR: How many would that be?

- 4 -

MR. BELL: I don't know.

MR. GAMBLE: I think you had better make it to the leaders because if you don't you will get into a distribution problem.

MR. BELL: There must have been a million workers in the last campaign.

H.M.JR: Could you do this for me? I don't think you want a million copies of that, do you?

MR. GAMBLE: No. That is when you get into difficulties. If it goes into the hands of important people, the important workers--

MR. BELL: You could give it to the committee chairmen.

MR. GAMBLE: That is right, and that is where we should stop it.

H.M.JR: Supposing you do this - supposing you telegraph the Federal Reserve presidents and say that we have this bulletin and we want it to go to each bank and each branch of each bank and each important worker--

MR. BELL: Each person who headed a group or committee.

H.M.JR: Right, and ask how many they would like to have and to send you back a telegram.

MR. BELL: Today.

H.M.JR: Answer you today, that we would like to get as wide a distribution as possible.

(Mr. Tickton, Mr. Lindow, and Mr. Banyas entered the conference.)

- 5 -

H.M.JR: We are just discussing this excellent bulletin that I understand you people did overnight - something like that. I want to thank you all.

I think if you would send a telegram, Bell - I am repeating myself - to the Federal Reserve bank presidents saying that we want every important leader who had anything to do with War Bonds - every bank and branch bank in that community - say, "We have this bulletin; how many do you want?" Then you can let Gamble know and he can order them.

MR. BELL: All right.

H.M.JR: But if you have thirty thousand now, I can tell you you ought to have a hundred thousand.

MR. GAMBLE: That is right.

MR. BELL: How many have you got now?

MR. GAMBLE: Thirty thousand run off. The plates permit the running off of thirty thousand without changing.

MR. BELL: The plates are worn out at thirty thousand?

MR. GAMBLE: Yes.

H.M.JR: You had better order another set - two more sets.

MR. GAMBLE: Three runs.

H.M.JR: But I am very anxious, for very special reasons, that this thing get out just as promptly as possible - very anxious.

MR. GAMBLE: The ones going out today - last night and today - are going to publishers and editors and commentators. The publishers and editors are

- 6 -

being confined to the daily newspapers. I think we could add to that the weekly newspapers.

I think we should send a small supply only to each one of the forty-eight State administrators, together with a letter, in addition to the Federal Reserve distribution.

H.M.JR: I would like the farm press to get it. There are not very many of them. I mean just for old times' sake.

And then Miss Chauncey has a list of the Cabinet and heads of Executive agencies in town. I would like it to go to them.

And when it goes to the Fed - I am not sure but that every member of the Fed Board here should get it.

MR. GAMBLE: What would you think of doing something that might put a little different complexion on this - if we sent them to each one of the State administrators and asked them to write letters to Congressmen and enclose a copy?

H.M.JR: Wonderful.

MR. GAMBLE: It would stop this idea of Government - somebody raising hell with us.

H.M.JR: Smart. How do you like it?

MR. BELL: No. I would stay away from the Congress.

H.M.JR: You don't like the bulletin?

MR. BELL: Yes, I like this. I thought you meant the suggestion.

H.M.JR: You don't like this bulletin?

MR. BELL: Yes. I didn't like the suggestion. I think we ought to stay away from Congress.

- 7 -

H.M.JR: O.K., we will take Bell's advice.

MR. SMITH: How about the committees that you made your presentation to before the drive? Wouldn't you be expected to send this to them?

H.M.JR: Well, let John L. Sullivan take this up and call on Mr. George and Mr. Doughton and ask them whether it would be good or bad to distribute this, and John make a little speech - do it by hand. Let John do that.

Anybody got any other ideas?

MR. GAMBLE: We were having a meeting on it at eleven-fifteen. Have you any ideas, in addition, on this distribution that I can clear with you?

H.M.JR: No, this is a new deal. You are responsible. Don't come back at me - to hell with it. You have the decision. It is your responsibility to do it, but do it promptly. And, remember, my policy is I don't check up on people. Do it. I haven't time to check up. I haven't got the time to be consulted.

O.K.

May 19, 1943

My dear Mr. President:

I am sending you herewith "The Story of America's Greatest War Loan" which I hope you will find interesting.

Yours sincerely,

(Signed) H. Morgenthau, Jr

The President,
The White House.

Copies in Diary

THE STORY
OF
AMERICA'S GREATEST
WAR LOAN

A Report by

W. M. C. J.
Secretary of the Treasury

May 25, 1943

DURING THE THREE WEEKS between April 12 - May 1,
the American people invested

18 BILLION,
500 MILLION
DOLLARS

in the future of their free country. This was the most tremendous financing task in the history of the world. I feel that the people should have the facts about this successful undertaking. It will make them proud -- but more than that, it will give them a better understanding of the even greater tasks yet to be done in financing the most expensive war in history.

Before the war the Axis boasted that Democracy's armies would be weak, and flabby. Now they know better. And now the people on the home fronts all over the world realize what kind of people they are fighting. They know that you and I and all of our neighbors are in this war to the finish. The fact that we sold 18 billion 500 million dollars in the Second War Loan is proof enough.

WHAT THIS PROVES

We exceeded by more than five billion the goal we set for ourselves. This is a measure of our enthusiasm and patriotism. The result proves many things. It proves that the American people stand solidly behind their Commander in Chief, that they recognize this as their war, and they are willing and eager to finance it.

It proves, also, that the American people are not going to sit back and wait for any forced savings plan in order to finance this most expensive war in all history. This, I might add, is vitally important to me.

I believe in the American people; I believe that they will go to the very limit of their capacity if only they understand the urgency of the situation.

From reports that have come to me from all over the country, and as a result of what I saw and heard on a seven-thousand-mile trip from which I recently returned, I have come to some definite conclusions as to the reasons for our success. It seems to me that the explanation is found in the spirit of the American people and their deep-rooted determination to fight this war through to victory.

THE WAR SPIRIT SELLS BONDS

When the people really become aflame with the war spirit, all the other problems seem to solve themselves. Labor and management get together; production rises to an all-time high; and bond sales go up automatically. That checks with what all our figures tell us.

War spirit, labor-management relations, production, and bond sales all go hand in hand.

Military terms to describe this Second War Loan victory -- and it is a victory -- are only partly appropriate. There can be no comparison between the self-denial needed to finance the war adequately and the suffering and death which our fighting men must face.

Yet, there is a close relationship, a very definite similarity between the war on the home front and the war on the fighting front. Neither is won in a single engagement. On both fronts the war must go on through a succession of gains until the final and complete victory is won. We can speak of this success in the Second War Loan Drive only as a victory in a minor engagement. It is like the taking of a single fortified point while the main battlefield and the main forces of the enemy still lie ahead.

The real battle is still ahead of us. All that we learned in this Second War Loan Drive, all the enthusiasm that we gained, will be useful in the bigger job that we still have to do.

THERE IS NO EASY WAY

There is no automatic and easy process for winning battles on the home front any more than there is an automatic and easy process for winning battles in the field. The war must be won and the war must be financed by the voluntary, united effort of the whole American people.

What success in financing means to our fighters is illustrated by a conversation I had recently with the Chief of Staff. General Marshall came over to the Treasury to have lunch with me and, before he left, he said:

"Mr. Secretary, I want you to answer a question for me and to answer it with complete frankness. Can we military leaders plan to fight this war in an orderly way -- in the surest and most effective manner -- or must we take extraordinary risks for fear the money will not hold out?"

My answer was:

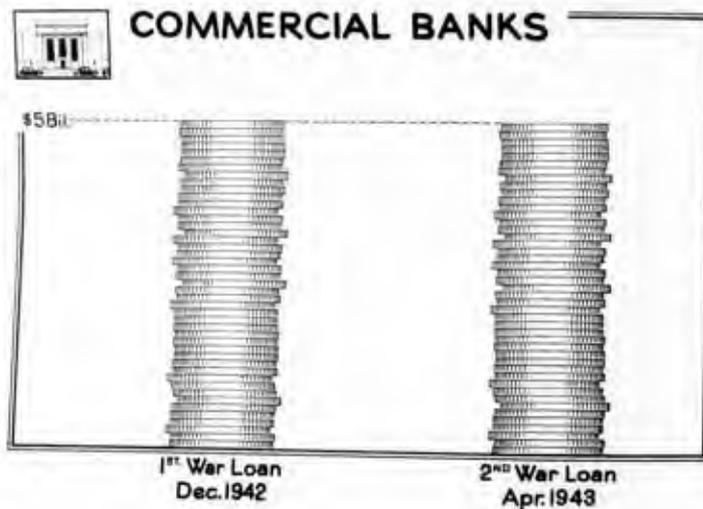
"General, the American people will take care of that. What they have done in this Second War Loan Drive -- the money they have produced and the spirit they have shown -- is proof enough for me that they will not let our fighters suffer from lack of support until we achieve complete victory, no matter how long that may be, nor how much it may cost."

That was my answer to General Marshall. I know it is the answer of the American people.

4

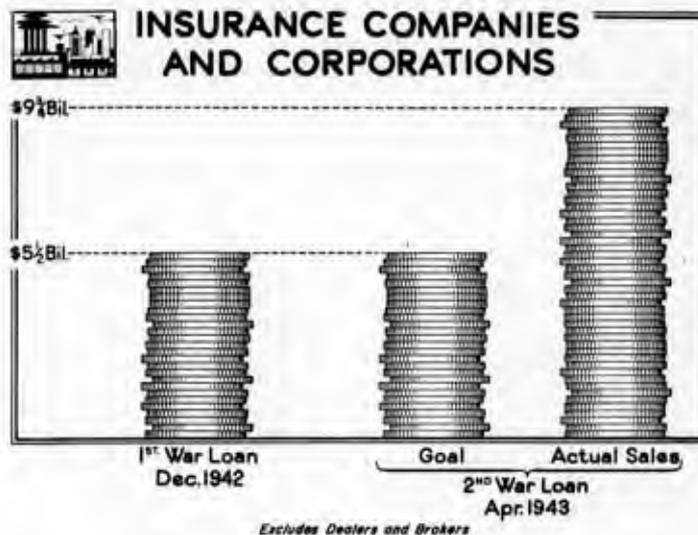
HERE IS WHAT HAPPENED IN THE SECOND WAR LOAN

IN THE SECOND WAR LOAN (as in the first, last December), some of the money was borrowed from commercial banks. We didn't give them all they wanted but limited them to set amounts. Here are the banks' purchases:

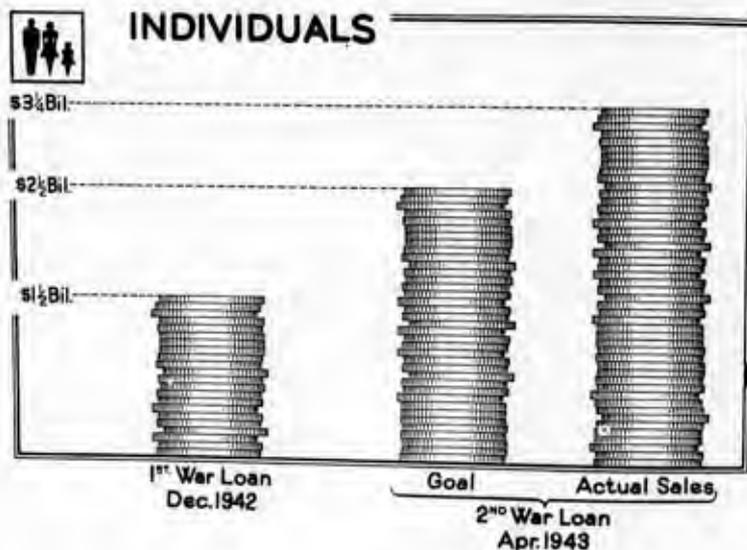


5

MUCH OF THE MONEY for our Bond Drives comes from insurance companies and other corporations. They are looking for sound investments and they know that there is no sounder investment than a U. S. Bond. Here is the record for these organizations:



BUT THE MOST IMPORTANT of all sources of funds is **INDIVIDUALS**. In selling War Bonds to individuals we have made great progress, although, of course, much remains to be done. Here is a record of our sales to people in the December Drive, compared to our goal and actual sales in the Second War Loan:



THE PEOPLE HAVE THE MONEY TO FINANCE THE WAR

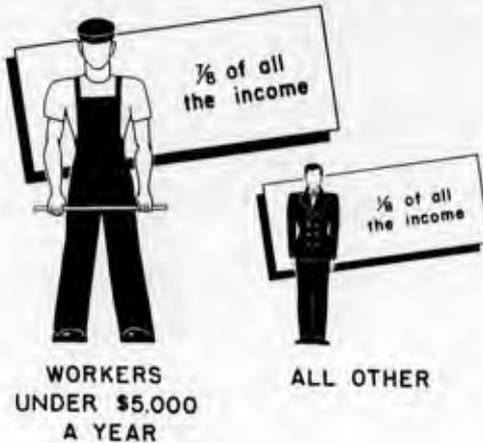
When the Government buys war material, the money goes to the public in the wages, salaries and profits of the people who make and sell the war goods. In other words, when we spend billions on the war, the same billions become income to people and businesses.

THE QUESTION IS: Who gets the money - and how much of it can we expect to get for War Bonds?

Some of it goes to corporations and some of it to individuals.

Our own economists and consulting economists point out that the bulk of the money which we must get in 1943 from individuals must come from those people earning less than \$5,000 net. The average worker-- the shipyard worker, the machinist, the woman war worker, the white collar employee -- these will have 7/8 of the current income after taxes. As our drives continue, more and more of our money will have to come from these people, until every person receiving income above the barest subsistence level will have to pitch in.

WHERE THE MONEY IS



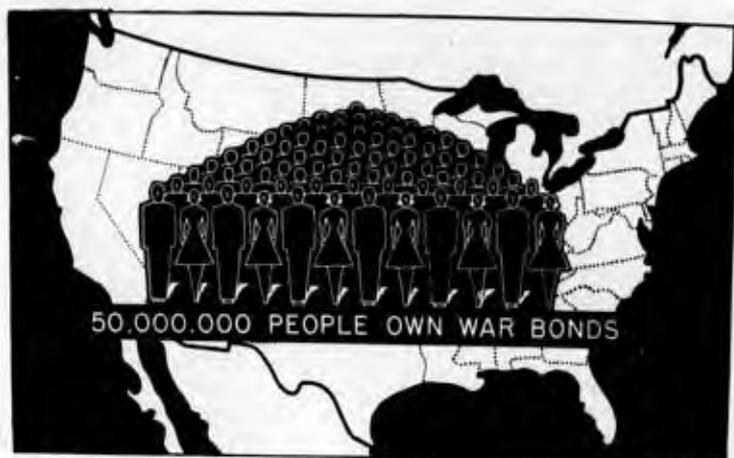
We know that all the people who are making reasonable wages and salaries are putting a certain amount into life insurance, into savings bank deposits, and are paying off debts. Knowing how much of the total amount of savings is being invested this way, we can estimate the amount of savings which will be left in the hands of individuals.

This is the money, not used for the necessities of life, nor invested in life insurance, nor used for the payment of debts, that will supply the funds with which to buy War Bonds.

We aimed to get 55% of the amount of this money accumulating in the first 4 months of this year (in place of the 47% which was so invested in the last half of 1942), but because of the success of the Second War Loan, we actually secured 60%. Our tentative program calls for aiming at 65% in the present 4 months and at 75% in the last four months of the year.

Look at the total incomes of the country and where the money goes in the chart below. You can see that savings are going into War Bonds in growing amounts, and that present goals call for further increases.





Although we are a long way from being able to say "The job is done", I think we should be proud of the fact that so many American people have bought War Bonds. If you count every person in the U. S. -- the working people and the housewives, the children and infants, the lame, the halt and the blind -- we can say that almost half the entire population of the country own at least one bond.



$$\frac{5}{6}$$

Of all people employed
HAVE BOUGHT BONDS

If you only consider the 60,000,000 people who have jobs, or who are in the armed services, you find that five out of every six are War Bond holders.



DURING THE 2ND
WAR LOAN

22,700,000

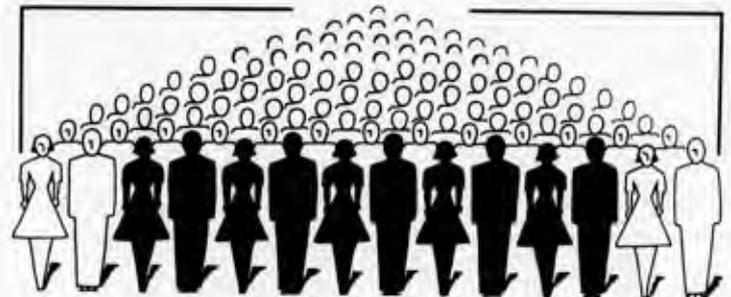
\$25 BONDS WERE SOLD

AND

4,600,000 \$50 BONDS

The Second War Loan has been one of the most tremendous transactions in history. For one indication, look at the fact that 33 million E bonds -- "people's bonds" we call them -- were sold. These can be purchased only by individuals, who are limited to a \$3,750 investment in this particular bond during any one year. Of the 33 million E bonds, nearly 27 million were of \$25 and \$50 denomination.

How did all these bonds get distributed? Mostly by volunteer workers -- workers who became bond salesmen and spent spare time, day and night, serving their country on the Home Front. In all, there were more than 1,000,000 people "in the service" for the drive. They have done an admirable job, and to them the nation owes a great debt.



10 out of every 1,000 men and women in the U.S. were
VOLUNTARY BOND SALESMEN
During the 2ND War Loan Drive

A QUICK LOOK AHEAD--
HOW WE MUST GET THE
100 BILLIONS NEEDED
FOR WAR THIS YEAR

The armed forces know how much equipment and manpower it will take to beat back the Axis during 1943. Your Treasury also knows how much money will be required to supply the armed forces with equipment to feed and clothe the men, to take care of lend-lease requirements and other war expenses.

The Treasury also has a plan for getting the huge amounts of money that will be needed.

WE WILL GET
30 BILLIONS
THROUGH TAXES IN 1943

Under the present tax laws, we know we will get at least \$30 billions. I have no doubt that we will need, before the year is out, to ask for new taxes, to increase the amount of money we will get this way. Devising taxes in wartime is a serious problem, because it is so difficult to deal equitably and justly with all the people. But I am sure that this can be done.

WE HAVE ALREADY
BORROWED 25 BILLIONS
THIS YEAR

Already during 1943 we have raised, through the sale of War Bonds, about \$25 billions.

That means that we now know we can count on having \$55 billions of the \$100 billions we will need. That leaves \$45 billions that will have to be raised, some of it through new taxes, the rest of it through the sale of War Bonds.

WE WILL ALSO NEED TO RAISE
45 BILLIONS MORE

Part of this \$45 billions will come as a result of the regular purchases of War Bonds, month by month, through payroll savings. Part of it will come from people who realize that we must not wait for drives to buy extra bonds. The rest of it we will need to secure through special drives. I am confident that the American people will continue to oversubscribe our war loans and make the voluntary way work. That will be one of the best ways we have of showing the Axis how wrong they were when they said that the American people could not stand up in a crisis, that our democratic ways would collapse when the going got tough. The chart on the next page shows our program for 1943 -- what has happened so far, and what is yet to be done.

FINANCING THE WAR - 1943



← This represents 100 billions

The cost of the war during 1943

Under present tax laws we will get 30 billions from taxes



In the first 4 months of this year, we sold more than 25 billions of War Bonds.

18.5 billions in the Second War Loan.



7 billions before the Second War Loan Campaign.



Therefore we must still raise this year 45 billions in new taxes and additional sales of War Bonds.

THE 2ND WAR LOAN BROUGHT 90% OF THE MONEY
RAISED DURING ALL DRIVES IN WORLD WAR I

You may be interested to know how the Second War Loan compares to drives that were held during the first World War. There were five War Bond drives between May 1917 and May 1919, and as a result a total of \$21 billions was raised. These drives required 18 weeks of concentrated work.

In our 3-week Second War Loan we raised 18½ billions, or 90% as much as in the five drives of World War I.

Amounts Raised

World War I
\$21 Bil.
(5 Drives)



2ND War Loan
\$18½ Bil.



Time To Do It

World War I



5 Drives - 18 Weeks

2ND War Loan



1 Drive - 3 Weeks

May 19, 1943
11:05 A. M.

HMJr: Henry talking.

Sam
Rayburn: Yes, Henry.

HMJr: I just wanted to tell you what a swell job I thought you did yesterday on that tax bill.

R: Well, my gosh (laughs) it was close enough, but I told them we'd doubled our majority from the last time. We had four the other time and eight this time.

HMJr: (Laughs)

R: It sure was tough going, but the boys acted mighty nicely.

HMJr: Yeah.

R: When you can pull a thing like that with only - losing only seven of your - in over two hundred Democrats, you're doing pretty darn well.

HMJr: Well, I thought you did - I thought you did extremely well.

R: Now, Henry....

HMJr: Yes.

R:We just can't go over to the Senate with our backs bowed. We've got to try to get something, haven't we?

HMJr: Can't do what?

R: I say we just can't go over - our boys just can't go over to the Senate with our backs bowed, and

HMJr: No.

R:and

HMJr: No.

R:sock - sock - sock - we ought to try to work something out on this, don't you think?

H: Well, they're up there now with Doughton, my boys are.....

R: I see.

HMJr:and Doughton is of the frame of mind that - he's asked the boys -- this is just between us really -- to tell them what we think is best....

R: Uh huh.

HMJr:and he - he hasn't done that now in a long time....

R: Yeah.

HMJr:and Paul and the rest of them are right up there now....

R: Well, that's fine.

HMJr:and I think - we - you - you got - we've got to have something concrete.

R: That's right.

HMJr: Isn't that right?

R: That's right.

HMJr: Yeah.

R: Yeah.

HMJr: And that - I - I haven't heard Doughton in such - so happy in a long time.

R: (Laughs) I see. Well, we all - all of us did a pretty good job, I thought.

HMJr: Well, I know you did, and I want to say "Thank you."

R: Well, thank you, Henry. Goodbye.

May 19, 1943
3:02 p.m.

Wayne
Coy: Mr. Secretary?

HMJr: Speaking.

C: Wayne Coy.

HMJr: Go ahead.

C: How are you, sir?

HMJr: Fine.

C: There has been a great deal of discussion for the last several months about foreign economic operations....

HMJr: Yeah.

C:and a great deal of conflict and difference of thinking about the thing....

HMJr: Yeah.

C:by various agencies.

HMJr: Yeah.

C: We - we're getting together a group of people tomorrow from the agencies involved to - to talk the thing over, and see if we can't all of us agree upon the thing so as to eliminate those conflicts and be able to offer to the military a unified program from the civilian agencies of the Government.

HMJr: Yeah.

C: I wondered if you couldn't send us a couple of people over that can talk about that thing.

HMJr: Sure, I can send Harry White.

C: Harry White?

HMJr: Yes.

- 2 -

C: It'd be 2:00 o'clock tomorrow in Room 252.
That's the Director's office.

HMJr: He'll be there.

C: The other agencies coming are Lend-Lease, B.E.W.,
State Department, and Governor Lehman's organiza-
tion.

HMJr: Well, White represents me with B.E.W. and with the
State Department and with Lend-Lease.

C: Yeah, fine.

HMJr: So he's the logical person.

C: Fine, and thank you very much.

HMJr: Thank you for asking us.

C: All right.

May 19, 1948
3:15 p.m.

FINANCING

Present: Mr. Bell

MR. BELL: There is callable not later than June 15 for payment on October 15, 1943, a billion and four hundred and one million dollars of three and a quarter percent Treasury bonds.

We have to give four months' notice, and I assume we ought to get ready to call them at that rate of interest, coupon, three and a quarter percent. We wouldn't be justified in carry it over. They mature in 1945, which is two years from October 15.

H.M.JR: The answer to Mr. Bell is yes.

MR. BELL: We will have to do some financing in July in order to carry through to September. We will have to do probably a two and a half billion dollar certificate or note or bond issue in July, and that would carry us into the first of September with five hundred and twenty-eight million dollars, which is very low.

The first week in September is kind of bad, because you cross Labor Day. The second week is bad because--

H.M.JR: You are really making me think today.

MR. BELL: I just kind of want to lay some plans so that I can get you thinking about it a little, and at the same time I want to do some work on the organization problem, get busy with everybody else, and get up some dope for you.

H.M.JR: Monday is the 6th - Labor Day.

- 2 -

MR. BELL: The better day would be the 13th, which would be the following Monday, and then we run through to October 1, I think.

H.M.JR: On the drive?

MR. BELL: Yes. Peabody agrees with that, because the first week is bad. That means that we have to have a little more money than the two and a half.

If we get a withholding tax and I can work out the monthly payment, we may get some money in August. If I can't work out the monthly payment, and they go on a quarterly basis, you won't get your income taxes until October. They have three months in which to file a return and one month to pay it after they file a return, which is bad.

That leads me up to this, which these fellows have been pressing me a little about, and that is this Davies organization or Charlie Taft's organization - I don't know which it is. It coordinates all of these relief drives for the President. They want October for that other fund, and I told them I would have a conference with them just as soon as I could. They said they would like to have it next week. I told them I would if I could.

H.M.JR: Review this thing for me again. I didn't get it the first time.

MR. BELL: You mean the financing?

H.M.JR: Yes.

MR. BELL: If we have two and a half billion dollars bank financing in July, and assuming that we carry along our Treasury bill program, that means going to a billion dollars in June - a billion dollars a week - we will have five hundred and twenty-eight million dollars going into September. Now that is hardly enough - that is no more than two days' expenditure - to run us until the thirteenth.

- 3 -

H.M.JR: We could make the other thing three billion.

MR. BELL: That is right. These expenditures are on an ascending scale, and they haven't been going up very fast. We may pick up some money there.

It may be that if the withholding tax goes into effect on July 1 and I can get it on a monthly payment basis, which I am trying to do, instead of on a quarterly basis, that will give us some money in August which will make the five hundred million maybe a billion, see?

H.M.JR: Now let me ask you this: September is an income tax date, isn't it?

MR. BELL: It will be normally. If we get a withholding tax, you will take it in under the withholding.

H.M.JR: Well, Mr. Bell, I would rather do my financing in October.

MR. BELL: You would?

H.M.JR: Yes, sure.

MR. BELL: That means quite a bit of bank financing, which seems to me might look a little bad to the public.

H.M.JR: I am not worried about that.

Now, last time the Red Cross did it in March, didn't they?

MR. BELL: Yes.

H.M.JR: I don't want income tax and--

MR. BELL: We did it in December, which didn't interfere an awful lot. We certainly will have a withholding tax, won't we, before September?

H.M.JR: Do we get the benefit of it?

- 4 -

MR. BELL: We won't get the benefit of it, but it will take the - well, if we can work out this arrangement we have, we will get the benefit of part of it.

H.M.JR: This is the first time - not the first time - I put a direct Federal Reserve phone and switched it from the Federal Reserve to the Customs House, where I will be, so I can pick up this phone and talk to you just as easy, and I can talk to you from there to here. Let this thing soak in. I will be talking to you the next couple of days.

What drive is this, anyway?

MR. BELL: The Community Chest drive, and I understand they tentatively had assigned to them by the President the month of October.

H.M.JR: They all got to give way.

MR. BELL: Aldrich said the Treasury wants October.

H.M.JR: Aldrich is it? If I knew it was Aldrich I would do just what he didn't want.

MR. BELL: He was cooperative on this.

H.M.JR: My inclination is October.

MR. BELL: Would you want part of September and October? I hate to see so much bank financing in the meantime. It looks like we are back on the old basis.

H.M.JR: You are going to have to do it anyway.

MR. BELL: But you are going to do a lot if you go to October.

H.M.JR: Let's say we take September. Could you get by December?

MR. BELL: It all depends on what the goal is. I was hoping we could go to January.

- 5 -

H.M.JR: I definitely want to go to January.

MR. BELL: That is what I want to do. That means that you have bank financing in January, and bank financing probably in November.

H.M.JR: Dan, don't ask me to make up my mind today.

MR. BELL: I am not definitely asking you, but I have to talk to these people. They have to get out their literature.

H.M.JR: Tell them you will let them know by the end of next week.

MR. BELL: They have to lay their plans.

H.M.JR: By the end of next week you can force me to make a decision.

MR. BELL: Rouse will be here the first of the week to talk about this Treasury bill program that we tentatively agreed will go up to a billion. He questions whether we want to go to a billion, but he is coming down to talk about it.

H.M.JR: I want to talk with you and Haas and those fellows.

MR. BELL: I will have to have some conferences on that next week. I don't suppose we can have an Open Market Committee meeting on it. They didn't meet the last time on the thing.

The other thing I would like to be discussing when this other thing is over - be thinking about - the series E Bond is worrying me quite a bit - the volume. There were thirty million pieces of securities issued in the month of April - up to the 8th of May - and that is a volume which is beyond anything that we can handle. We are accumulating a little out in Chicago.

- 6 -

H.M.JR: Way behind?

MR. BELL: Well, they are not way behind - they have to be four months behind because they have to get these things all over the country and put them into sequence.

H.M.JR: I think the E Bond thing is the greatest thing that has happened.

MR. BELL: Yes, but when you come to registering thirty million pieces in a month it is really a job. I am wondering--

H.M.JR: That is just during the drive.

MR. BELL: I have talked to you before, and you haven't been willing to do it. Would you think that we might again discuss just inscribing the bond and not registering it like we do tax notes?

H.M.JR: I don't know whether I am familiar with that.

MR. BELL: A man goes in and buys a bond and it just has his name and address written across it. That isn't registered in the Treasury. The only record of it is on the bond. Of course, the agency that issues it will have a record, but we won't have a registered account of it - that is, like we do now. It isn't protection, because there can be forgeries which we might not always catch.

H.M.JR: Again you are putting a lot - I didn't know you were going - this is all heavy stuff you are putting to me today.

MR. BELL: Yes, and I can't delay a lot to begin thinking about it.

H.M.JR: I would like to know what it costs - what it costs per bond.

MR. BELL: How much per bond?

- 7 -

H.M.JR: Yes, to print the bond, register it, and all that.

MR. BELL: It isn't so much the cost; it is the manpower.

Do you know what we do in Chicago?

H.M.JR: I would like to know how many man hours - I would like some facts.

MR. BELL: We take the person in and train him. We have women working as mechanics in Chicago at the office.

H.M.JR: I would like some facts, the man hours, and everything else that goes with it.

MR. BELL: That is quite a job. I can get up something for you.

H.M.JR: Get me up something.

If you get anything out of me today, you are good.

MR. BELL: Well, I don't want to get up against the gun and have to do something over night. I am getting to the point where the volume is too big.

H.M.JR: All right, I would like some facts. Give me the man hours and that kind of stuff.

MR. BELL: You have six thousand people in Chicago. If you want man hours, you really have them.

H.M.JR: You have to give us some "horse" figures.

MR. BELL: We can't get anybody out there that is trained. Everybody we take in has to be trained.

H.M.JR: I will be sympathetic to simplifying it. I don't want to say yes now.

- 8 -

MR. BELL: A lot of them recommended we knock out the twenty-five-dollar bond. That certainly would take some sales away. I think maybe if we would inscribe the thing - it gives away some of the protection, there isn't any doubt about it, but that would answer a lot of problems.

H.M.JR: Yes, sir.

MR. BELL: You asked me the other day--

H.M.JR: You are getting along fine. (Laughter)

MR. BELL: Yes, just where I was when I came in.
(Laughter)

You asked me the other day to get some work started on getting from the county chairmen the kinds of schemes they use to sell these bonds. I haven't gotten very far.

Peter Odegard wrote up three pages of questions, and I had Peabody and George Haas' shop look it over. They have come to the conclusion that these questions can't be answered and tabulated. It is too big a job. A man has to answer all kinds of questions. I just want to tell you that that thing has been delayed. They think we ought to talk to Likert and sort of combine it.

H.M.JR: Don't let the thing drag on.

MR. BELL: I wanted to tell you that I haven't done anything - haven't accomplished anything. That is the reason for the delay.

H.M.JR: Peter Odegard would slow it down.

MR. BELL: He wrote the questions.

H.M.JR: Why not turn it over to George Haas? You don't need Likert; turn it over to George Haas.

MR. BELL: I did, and this is the conclusion that they and Peabody came to, that we have to get Likert in on this.

- 9 -

There is a letter that goes out to all of the people who have been giving us statistics on the holdings of securities in the last two years. That thanks them and asks them to continue it, and it is sent to Loans and Currency instead of to Haas.

H.M.JR: Is that what you want?

MR. BELL: That is what Haas wants. They didn't do any of the work, anyhow. (Draft of letter to be sent to seven thousand banks and insurance companies signed by the Secretary, copy attached.)

H.M.JR: You got some action on that. (Laughter)

MR. BELL: Here is the Third Annual Report of the Board of Trustees of the Old-Age and Survivors Insurance Trust Fund. That is quite a document.

I don't know whether you recall it or not, but at the meeting of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund Committee we agreed that we would redeem, as we needed cash to meet benefit payments, the three percent obligations held in that fund rather than redeeming them and refunding them into two and a half obligations.

H.M.JR: Don't explain it; let me sign it.

MR. BELL: No. We did, anyhow.

Now, the rate of interest - average rate on the public debt - has dropped down to one and seven-eighths, which is pretty damned low for this fund. We now have three hundred and seventy-eight million of these three-percent obligations, and they all mature on June 30.

Now, I want to hold those and take the current cash that comes in and use it for benefit payments, and invest any excess in the special one and seven-eighths. Then this is a poll vote with your committees.

H.M.JR: Is it all right?

MR. BELL: I think it is fair to the Trust Fund.

- 10 -

H.M.JR: Gawd help you. I don't know what it is, but if it is wrong-- (Laughter) (Letter addressed to President of Senate and Speaker of House, dated January 2, 1943, transmitting report signed by the Secretary. Letters to Arthur J. Altmeyer and Frances Perkins signed by the Secretary, copies attached.)

MR. BELL: Well, you have got a vote of the committee.

The Office of Strategic Services wants to send two Treasury representatives to Turkey, and they want them to work with somebody over there to get information out of the Balkans. They cleared it with the State Department, and the reason they are asking the Treasury to do it is they think the Treasury people would have a better standing, and it wouldn't look so funny to have them as it would, say, to have a military attache, or somebody like that.

Now, Harry and Luxford have discussed this with the State Department, and I discussed it with this man and told him to give us some more facts. They agree that it ought to be done. Do you have any objection to sending two Treasury people?

Harry says he thinks he can dig up the two people if you agree.

H.M.JR: Do I sign it?

MR. BELL: Just mark it O.K. to show that you have seen it. (Memorandum dated May 14 addressed to Mr. Bell initialed by the Secretary, copy attached.)

SECRET

May 14, 1943

Mr. D. W. Bell

Messrs. White and Luxford

Re: Office of Strategic Services
proposal re Turkey

In connection with the above matter, we suggest that we recommend to the Secretary that we go along with the O.S.S. proposal providing one of the two Treasury "representatives" is actually a Treasury man.

In this connection, John W. Gunter of the Division of Monetary Research is available for such an assignment and has indicated his willingness to go. We think that it is in the Department's interest to have a man in Turkey at this time and that this opportunity should not be neglected.

As you know O.S.S. is most anxious to have a prompt answer and this matter should be discussed with the Secretary as soon as possible.

AFL:rd - 5/14/43.

Dear Mr. Aitmayor:

At a meeting of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, of which you are a member, held in the office of the Secretary of the Treasury on December 7, 1939, the Board agreed that investments after January 1, 1940 for account of the Fund would be made in special public debt issues with rates of interest provided for under the Social Security Act amendments of 1939, and that in order to meet benefit payments the Treasury would redeem the 3½ obligations of the longest maturity held in the Fund and by this method gradually reduce the volume of 3½ special obligations held in the Fund.

This policy has been pursued since establishment of the Fund on January 1, 1940, as the result of which the 3½ special Treasury obligations held by the Fund have been reduced to \$378,200,000 as of April 30, 1943. These notes mature on June 30, 1943. In the meantime the average interest rate on the outstanding public debt has been reduced and the special obligations issuable to the Fund may now bear a rate of only 1-7/8%.

In view of this situation it is recommended that the policy adopted on December 7, 1939 be changed; that benefit payments be paid from taxes currently collected and appropriated to the Fund, and that the balance of such appropriations to the Fund be invested in special obligations or market issues as may be determined advisable by the Secretary of the Treasury in accordance with the practice heretofore followed in making such investments.

In lieu of calling a meeting of the Board of Trustees for the approval of this recommendation, I am polling the members by letter and I shall be glad if you will indicate on the attached carbon of this letter whether you approve this recommendation.

Very truly yours,

Secretary of the Treasury
and Managing Trustee of the
Federal Old-Age and Sur-
vivors Insurance Trust Fund

Honorable Arthur J. Aitmayor
Chairman, Social Security Board
Washington, D. C.

VH:ald 5-14-43

Dear ~~Mr. Gandy~~

I should like to take this opportunity to thank you for your continued cooperation in furnishing the Department with statements of your holdings of Government securities each month since my original request of March 1941. The survey of ownership of Government securities based upon your reports and similar reports from banks and insurance companies generally has been of inestimable value in planning the tremendous war financing operations which the Treasury Department has had to undertake.

This survey will be handled in the future through the Division of Loans and Currency of the Bureau of the Public Debt instead of the Division of Research and Statistics. Subsequent requests for information will be forwarded to you from that Division, and I am sure you will continue to extend the same splendid cooperation afforded us in the past.

The schedule for May 31, 1943 is enclosed and it will be appreciated if you will complete this schedule and return it at your earliest convenience in the enclosed envelope which requires no postage.

Sincerely,

Secretary of the Treasury

~~Mr. William Gage Gandy, Jr., President
National City Bank
New York, New York~~

Enclosures

MFB:md
5/18/43

My dear Helen Secretary:

At a meeting of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, of which you are a member, held in the office of the Secretary of the Treasury on December 7, 1939, the Board agreed that investments after January 1, 1940 for account of the Fund would be made in special public debt issues with rates of interest provided for under the Social Security Act amendments of 1939, and that in order to meet benefit payments the Treasury would redeem the 3½ obligations of the longest maturity held in the Fund and by this method gradually reduce the volume of 3½ special obligations held in the Fund.

This policy has been pursued since establishment of the Fund on January 1, 1940, as the result of which the 3½ special Treasury obligations held by the Fund have been reduced to \$78,200,000 as of April 30, 1943. These notes mature on June 30, 1943. In the meantime the average interest rate on the outstanding public debt has been reduced and the special obligations tenable to the Fund ~~may now bear a~~ rate of only 1-7/8%.

In view of this situation it is recommended that the policy adopted on December 7, 1939 be changed; that benefit payments be paid from taxes currently collected and appropriated to the Fund, and that the balance of such appropriations to the Fund be invested in special obligations or market issues as may be determined advisable by the Secretary of the Treasury in accordance with the practice heretofore followed in making such investments.

In lieu of calling a meeting of the Board of Trustees for the approval of this recommendation, I am polling the members by letter and I shall be glad if you will indicate on the attached carbon of this letter whether you approve this recommendation.

Very truly yours,

Secretary of the Treasury
and Managing Trustee of the
Federal Old-Age and Sur-
vivors Insurance Trust Fund

Honorable Frances Perkins
Secretary of Labor
Washington, D. C.

VT:mbd 5-24-43

May 19, 1943
3:57 P. M.

HMJr: Hello.

Don
Gustini: Yes.

HMJr: Mr. Gustin?

G: Yes.

HMJr: I was anxious to talk to Senator Heyden, but I'm going out of town in a couple of minutes and I think he'd like to have this message. Hello.

G: Yes. Uh huh.

HMJr: Would you tell him that Mr. Gaston and I have decided to send over the name of Wirt Bowman for collector at Nogales, Arizona?

G: Yeah. I'll certainly tell him that, Mr. Morgenthau.

HMJr: And I know he'll be pleased.

G: All right, sir. Thank you a great deal.

HMJr: You tell him that.

G: I'll do that. Goodbye.

May 19, 1943
3:59 P. M.

48

HMJr: Hello.

Operator: Senator McFarland.

HMJr: All right. Hello.

Sen. Ernest
McFarland: Hello.

HMJr: Senator McFarland?

McF: Yes.

HMJr: Morgenthau.

McF: Oh, yes, Mr. Secretary.

HMJr: Senator, I think you'll be pleased to know that Mr. Gaston and I have decided to send the name of Wirt Bowman over at the White House for collector of customs at Nogales.

McF: Well, that's very nice of you, Mr. Secretary. I sure appreciate it.

HMJr: I - I thought you'd like to know about it....

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

HMJr:and....

McF: Say, incidentally, before you leave the line....

HMJr: Yeah.

McF:I'm very much interested in your - in your banking - international banking plan.

HMJr: Are you?

McF: I've - I had kind of drafted out a little rough draft of one myself....

HMJr: Yeah.

McF:which wasn't nearly as complete, of course, as yours....

HMJr: Uh huh.

McF:but - but to me that is one of the most important things that should be made in our post-war plannings.

HMJr: Why, I'd love to sit down with you sometime.

McF: Well, I - I would like to do that. If - they can all talk about policing the world....

HMJr: Yeah.

McF:and all of that, which is fine....

HMJr: Yeah.

McF: ...now understand, I am not opposed to that. I - I think that we've got to do some form of policing....

HMJr: Yeah.

McF:but, as you well know, the real cause of the war is - is that there is - is commerce of one nature or another....

HMJr: Yeah.

McF:and - and that - that scheme of an international bank should, if worked out properly -- and I know you've given it a lot of study.....

HMJr: Yeah.

McF:it should eliminate some of the causes of the war, and....

HMJr: Well, Senator, when you've got time you might - would you drop by some morning on the way up to the Senate?

McF: I'll - I'll do that.

HMJr: And any time that is convenient for you.

McF: That's very nice. I'll be glad to.

HMJr: Thank you, Senator.

McF: Thank you very kindly.

HMJr: Goodbye.

May 19, 1943

MEMORANDUM

About 6:30 last night I called up Harry Hopkins and reminded him that on the train going up to Hyde Park a month ago with the President he said that he would see that Ruml was removed as being a member of the Advisory Committee of the National Resources Board and also as a member and advisor to Nelson Rockefeller. He admitted that he had forgotten all about it, and he said he would go right at it. And I want to watch him to see if he does anything, and if he doesn't I'll remind him again next week.

MAY 18 1943

My dear Senator Connally:

Because I have been out of town a good deal lately, I am necessarily somewhat belated in writing you to express my appreciation of your support of our opposition to the Ruml-Carlson amendment to the House tax bill. Incidentally, I enjoyed reading your speeches in the Record, particularly the first speech in which I think you were at your very best.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Tom Connally,

United States Senate.

Copies in Diary

By Mess. Short 10:52 5/19

MAY 19 1943

My dear Senator LaFollette:

I am writing a short note to express our appreciation in the Treasury of your gallant fight against the Ruml-Carlson amendment to the House tax bill. Your speech at the close of the debate was the clearest exposition of the issues involved that could have been made, and people who were in attendance in the gallery tell me that it must have had a good deal of influence on the voting.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Robert M. LaFollette, Jr.,
United States Senate.

Copies in Diary

By Mess. Short 10:52 5/27

MAY 19 1943

My dear Senator Byrd,

I was very much interested to note that you spoke at great length, and I am told very effectively, against the Ruml-Carlson amendment to the House tax bill. I need hardly tell you how much the Treasury appreciates your support in this critical matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Harry F. Byrd,
United States Senate.

Copies in Diary

By Mess. Short 10:52 5/19/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

May 19, 1943

In view of your interest in tax relief for members of the armed forces, especially those dying in the service, I believe you will be interested in the attached summary of the provisions of the House and Senate bills in this regard.

The conferees will, of course, have to decide what final provisions will be adopted.



Attachment

**Soldiers' and sailors' relief under the
House and Senate pay-as-you-go bills**

Both the House and Senate bills contain relief provisions for members of the armed forces. Each bill contains two types of relief; (1) for those dying in active service; and (2) for all members, an additional exemption for service pay. On recommendations from the Treasury, the Senate bill eliminated certain inequities from the House bill.

1. Relief for those dying in active service

Under the House bill all income taxes unpaid by a member of the armed forces at date of death were abated. The Senate bill made three changes: (1) it abates only the taxes which became due and payable after the date of induction or the date of the Selective Service Act, September 16, 1940, whichever is later; (2) it abates only that part of the taxes attributable to earned net income and does not abate the taxes attributable to unearned income; and (3) it provides for a refund of any taxes which were paid, if such taxes would have been abated had they not been paid.

The House bill made no provision for refunding taxes paid before death and thus discriminated against those servicemen who kept up their tax payments. Furthermore, the House bill would have extended relief for as many years as the servicemen were delinquent in their taxes, whereas, under the Senate bill, the relief does not go back beyond the taxes due and payable after the Selective Service Act.

2. Additional exemption for service pay

Personnel below the grade of a commissioned officer now receive an additional exemption of service pay of \$250 for a single person and \$300 for a married person. Both the House and Senate Bills raise the amounts of this additional exemption and both Bills make the additional exemption available to all members of the armed forces, irrespective of rank.

The House Bill increased the additional exemption for service pay to \$3500 which amount is however reduced by the personal exemption. This additional relief was made retroactive to all service pay received after December 31, 1941. The Senate Bill made two changes in the House Bill: (1) it lowered the additional exemption to a flat amount of \$1500 which however, is not reduced by personal exemption; and (2) the additional relief is made applicable only to taxable years beginning after December 31, 1942.

- 2 -

The relief under the House Bill discriminated against married persons since the additional exemption was to be reduced by the personal exemption. Since the personal exemption is higher for a married person than for a single person the amount of the additional relief under the House Bill for a married person is less than for a single person. The relief under the Senate Bill continues the present more favorable treatment of a married person as compared with a single person.

May 19, 1943

May 19, 1943.

Dear Mr. Surrey:

I have just been informed that your draft status has been changed from 3A to 1A and that, unless some action is taken to prevent it, we will have to anticipate the probability that you will be inducted into the armed forces soon.

It would be farthest from my thoughts to wish to deprive you of the honor of military service while our country is at war, but on the other hand I believe you would want to serve in the post where you can be most useful. It is my judgment that for the time being and until this year's tax legislation is completed that post is the one you now occupy, Tax Legislative Counsel to the Treasury Department. It would be totally impossible to replace you quickly with anyone having anything like adequate experience in this field, and the situation is further complicated by recent losses in your division which have denuded it of experienced men.

I have therefore determined to ask your draft board to defer you on occupational grounds for a period of six months and it is my hope that you will, even at sacrifice of your own inclinations and desires, consent to remain and to carry on your present work for at least that period.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Stanley S. Surrey
Tax Legislative Counsel
Treasury Department
Washington, D.C.

Initialed cc to Thompson



BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

May 19, 1943

TO THE SECRETARY:

Participation of Treasury Department
employees on Pay-roll Savings Plan

April 1943

Number on roll	73,844	
Number participating	<u>70,215</u>	
Percent		95.1%

Gross monthly pay roll (including overtime)	\$15,629,533	
Monthly allotment for bonds	1,647,271	
Percent		10.5%

Your employees are doing all right.

Departmental Chairman



May 19, 1943

Ted Gamble

Secretary Morgenthau

I think you ought to begin to build your organization, and I wish you would talk to me about it. If there are any particularly good men in the field, I wish you would bring them in as your assistants. I think you ought to have two or three very strong assistants. Please speak to me about it. *Furnished*

May 19, 1943.

Dear Stuart:

Now that your status has changed from that of a full-time worker on war financing in the Treasury to the role of adviser on special problems that will be coming up from time to time, I want to express my very real gratitude for the fine help you gave to the Treasury and to me during the Second War Loan Drive.

As Head Advertising Specialist you have handled the difficult matters with which you had to deal in a thoroughly efficient way. I appreciate greatly the fine loyalty and devotion you displayed, which have made it a continuous pleasure for all of us to work with you.

I am happy that you are able and generously willing to continue to give us the benefit of your advice and experience.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Stuart Peabody
The Borden Company
350 Madison Avenue
New York, New York.

Copies in Diary
(initialed cc to Gaston)

May 19, 1943

Dear Mr. Edson:

In reviewing the activities of all those who helped us in the promotion of the Second War Loan, it is apparent that no one did more enthusiastic and effective work than the representatives of the Press and Feature Services here in Washington.

We are grateful to you, and I would appreciate your passing on to your staff our sincere thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Peter Edson,
Newspaper Enterprise Association,
1013 Thirteenth Street, N. W.,
Washington, D. C.

Copies in Diary

SPeabody:ik

May 19, 1943

Dear Mr. Wilson:

In reviewing the activities of all those who helped us in the promotion of the Second War Loan, it is apparent that no one did more enthusiastic and effective work than the representatives of the Press and Feature Services here in Washington.

We are grateful to you, and I would appreciate your passing on to your staff our sincere thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Lyle C. Wilson,
Chief of Bureau,
United Press Association,
National Press Building,
Washington, D. C.

Copies in Diary

SPeabody:ik

May 19, 1943

Dear Mr. Miller:

In reviewing the activities of all those who helped us in the promotion of the Second War Loan, it is apparent that no one did more enthusiastic and effective work than the representatives of the Press and Feature Services here in Washington.

We are grateful to you, and I would appreciate your passing on to your staff our sincere thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Paul Miller,
Chief of Bureau,
Associated Press,
Evening Star Building,
Washington, D. C.

Copies in Diary

SPeabody:ik

May 19, 1943

Dear Mr. Ralph:

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Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Henry D. Ralph,
Room 1224,
National Press Building,
Washington, D. C.

Copies in Diary

SPeabody:ik

May 19, 1943

Dear Mr. Helm:

In reviewing the activities of all those who helped us in the promotion of the Second War Loan, it is apparent that no one did more enthusiastic and effective work than the representatives of the Press and Feature Services here in Washington.

We are grateful to you, and I would appreciate your passing on to your staff our sincere thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. William P. Helm,
United States News,
2201 M Street, Northwest,
Washington, D. C.

SPeabody:ik

Copies in Diary

BOARD OF ECONOMIC WARFARE
OFFICE OF EXECUTIVE DIRECTOR
WASHINGTON, D. C.

May 19, 1943.

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

Enclosed are the minutes of the meetings of the Board of Economic Warfare which were held on March 11 and May 6, 1943.

If there are any corrections which you care to suggest, please let me know.

Sincerely yours,

Nils Perkins
Executive Director

Enclosures

SECRET

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Minutes of the Meeting of the Board of Economic Warfare
Held March 11, 1943 at 10:00 a. m.

A meeting of the Board of Economic Warfare was held in the Vice President's Office in the Capitol Building at 10:00 a. m. on March 11, 1943.

Those present at the meeting were:

The Vice President, Chairman of the Board
Mr. R. P. Patterson, representing the Secretary of War
Mr. Adlai Stevenson, representing the Secretary of the Navy
Mr. L. A. Wheeler, representing the Secretary of Agriculture
Mr. Wayne Taylor, representing the Secretary of Commerce
Mr. Arthur Van Buskirk, representing the Administrator,
Lend Lease Administration

Also present at the meeting were:

Mr. E. G. Collado, State Department
Mr. Harold H. Neff, War Department
Dr. W. Y. Elliott, War Production Board
Mr. E. M. Burnstein, Treasury Department
Mr. John McClintock, Office of Coordinator of Inter-American Affairs
Dr. Herbert Feis, State Department
Mr. Milo Perkins, Board of Economic Warfare
Mr. E. W. Gaumnitz, Board of Economic Warfare
Mr. A. F. Luxford, Treasury Department

The Vice President announced that he was leaving for South America on March 16 and would be away for about six weeks. He suggested that during his absence regular Board meetings not be scheduled but if necessary meetings would be called by the Executive Director at the request of any Board member.

Axis Shipping in the Mediterranean

The Vice President requested Mr. Perkins to comment on the report, "Summary of Axis Shipping Situation in the Mediterranean", copies of which were made available at the meeting. Mr. Perkins pointed out that a continuation of the rate of sinkings would mean the virtual elimination of Axis shipping in the Mediterranean in about three months. While total elimination of Axis shipping was of course not to be expected, discussion served to emphasize the importance of drastically reduced shipping, particularly on the ability of the Axis to maintain troops in North Africa.

Lend-Lease- REW Agreement

Mr. Perkins stated that he and Mr. Van Buskirk wished to report on the progress made between the Office of Lend Lease Administration and the Board of Economic Warfare with reference to various problems of administration involving the two agencies. He referred particularly to the February 16 letter signed jointly by himself and Mr. Stettinius, copies of which had been made available.

Briefly, he stated that the agreements between the two agencies had served to clarify jurisdictional questions. It was indicated that the division of countries as between Lend Lease and R. E. U. was made primarily on the basis of relative volume of Lend Lease and commercial shipments, although the countries in which there was active fighting were generally assigned to Lend Lease at present. It was pointed out that through an arrangement with the War Production Board one of the two agencies presents the program for exportation to the War Production Board, including exports under Lend Lease as well as those by private exporters. It was emphasized that overall country programs were now being developed on a basis similar to that which has been in effect for Latin American countries with joint review of country programs. The necessity for closer screening and coordination of commodity programs and shipping programs made it desirable that country information be more comprehensive under the agreement between Lend Lease and R. E. U. Arrangements were being made for foreign personnel with both agencies being represented where both were involved in shipment.

Mr. Van Buskirk stated that reciprocal aid, mentioned in the third paragraph of the Memorandum of Agreement of February 16, 1943, was still a subject for further discussion. Mr. Perkins pointed out that from some points of view it was desirable in countries where Lend-Lease was being extended that payments for imports be handled by Reverse Lend Lease. A danger, however, in such procedure was that the foreign government would then tend to become the procurement agency and might be inclined to be less aggressive than would be the case with purchases being made directly by U. S. representatives.

Mr. Elliott raised the question as to payment for goods which were stockpiled in a foreign country where produced, questioning the desirability of such payment.

Mr. Wheeler raised the question of whether the same division of countries for the purpose of the determination of requirements and presentation to the W. F. B. was in effect with reference to food and also raised the question as to the position of the Foreign Relief and Rehabilitation Division of the Department of State. Answering Mr. Wheeler, Mr. Perkins stated that the division of countries with reference to food was the same as for other materials. It was also indicated that the Relief and Rehabilitation Division had thus far presented no requirements although the status of that Division and its relationship to requirements was not clear. Mr. Van Buskirk stated that shipments to North Africa had been limited to those items and quantities approved by General Eisenhower's staff. He assumed that the Relief and Rehabilitation Division would be concerned particularly with the distributive phases in the North African area.

Mr. Perkins also pointed out, with reference to North Africa, that the volume of foodstuffs produced and procured would be dependent in part upon the shipment of consumer goods to that area. If consumer goods were important, it would of course require a close cooperation in the handling of both purchases within the area and shipments to the area. Mr. Perkins stated that he

could appreciate the interest of the Department of Agriculture in connection with any development of food supplies in a foreign country. On the one hand with an increasing general food shortage, it was important that this government take as strong a position as possible in the development of foreign food supplies. It was also recognized that there might be criticism of programs directed towards the development of foreign food supplies by those interested in the production of competing domestic food items.

Mr. Wheeler stated that the Department of Agriculture was not hesitating in the support of food developmental work wherever practical. It was also suggested that full consideration should be given to the possibility of developing and procuring food supplies even though the shipping situation would not allow immediate shipment, such action of course to be limited to commodities which could be stored.

There was considerable discussion of the effect on production of the apparent policy of the Combined Boards in recommending division of the world as between Great Britain and the U. S. for procurement and developmental purposes, both for food and non-food items.

Several members indicated their feeling that such division of areas tended to result in less aggressive action than would be the case otherwise. Dr. Elliott stated that more aggressive action would probably be secured if U. S. representatives were stationed in countries which had been allocated to the British for procurement purposes. Dr. Elliott also stated that trade was more and more a matter of barter, so that it was important that procurement and development be closely related to supplies being shipped from the U. S. This would of course mean a close programming of supplies as between Lend Lease and the Board of Economic Warfare for those countries which received a part of their goods under Lend Lease. For North Africa Mr. Van Buskirk pointed out that through the North African Economic Board on which both Lend Lease and R. E. U. were represented the situation was such that both development and supplies could be closely coordinated. Mr. Wheeler doubted whether the North African organization would meet the problem, suggesting that a trading company which could both buy and sell would be necessary. Other members of the Board, however, thought that problem could be handled through the U. S. Commercial Company.

Mr. Fois stated that the question of procurement and development was primarily a matter of internal U. S. organization. It was his feeling that the U. S. had been somewhat lacking in aggressive action in some countries regardless of whether those countries had been allocated to the British for procurement and development purposes. He pointed out that North Africa was now open to the U.S., that West Africa had been open for sometime, and that in the Belgium Congo the U. S. had been party to an arrangement for the stimulation of cobalt production. He therefore observed that failure to secure aggressive action was quite definitely immobility on the part of U. S. agencies rather

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than a matter of being foreclosed by allocation of territory to the British. Dr. Elliott stated that his generalization was based on specific instances and those instances led him to believe that where the British were designated as sole purchasers, efforts to increase production were passive. He referred to pyrethrum, sisal, and shellac. Mr. Wheeler stated that the territorial allocation problem had also been one with which the Combined Food Board had struggled and stated that he would like to see some procedure worked out under which any agency designated as sole purchaser would not be open to criticism for lack of aggressive action by the agency not designated.

Mr. Fols indicated that in the case of Spain, Portugal or Turkey concurrent action has been secured on a coordinated basis and Dr. Elliott suggested that the possibility of extending that type of arrangement should be explored.

The Vice President suggested that it might be desirable to have a sub-committee report on the problems involved in area allocation, including a recapitulation of the possibilities of development and procurement, as well as to suggest the procedure to be followed in determining allocations.

The meeting adjourned at 11:05 A. M.

Minutes of the Meeting of the Board of Economic Warfare
Held May 6, 1943 at 10:00 a. m.

A meeting of the Board of Economic Warfare was held in the Vice President's office in the Capitol Building at 10:00 a. m. on May 6, 1943.

Those present:

- The Vice President, Chairman of the Board
- Mr. Dean Scheson, representing the Secretary of State
- Mr. Mark White, representing the Secretary of the Treasury
- Mr. R. P. Patterson, representing the Secretary of War
- The Secretary of the Navy
- The Secretary of Agriculture
- Mr. Wayne Taylor, representing the Secretary of Commerce
- Mr. Nelson A. Rockefeller, Coordinator of Inter-American Affairs
- Mr. Donald M. Nelson, Chairman, War Production Board
- Mr. Bernhard Knollenberg, representing Administrator, Lend Lease Administration

In addition, the following persons were present:

- Mr. Winfield Riefler, Board of Economic Warfare
- Mr. W. L. Clayton, Department of Commerce
- Mr. Adlai Stevenson, Navy Department
- Mr. Harold M. Neff, War Department
- Mr. Herbert Feis, State Department
- Mr. L. A. Wheeler, Department of Agriculture
- Mr. John Lockwood, Office of Coordinator of Inter-American Affairs
- Mr. William Batt, War Production Board
- Mr. John W. Pehle, Treasury Department
- Mr. John Lovitt, State Department
- Mr. Henry Labouisse, State Department
- Mr. Milo Perkins, Board of Economic Warfare
- Mr. E. W. Gaumnitz, Board of Economic Warfare
- Mr. W. T. Stone, Board of Economic Warfare

The Vice President announced that Mr. Winfield Riefler, our Minister of Economic Warfare, American Embassy in London, who has been working closely on blockade matters was present and prepared to make a progress report.

Mr. Riefler reviewed briefly the background of blockade work with reference to the neutrals within the blockade area, stating that the policy pursued had been that of securing maximum supplies for the United Nations and the minimum of assistance and supplies to the Axis directly or indirectly.

Sweden

Mr. Riefler referred to the Board resolution of last November 12 relating to trade with Sweden. In conformity with that resolution U. S. representatives had been abroad checking into the factual material. He stated that the authorities in Sweden had made data freely available and that upon the completion of that work Swedish representatives were invited to London for the purpose of negotiating a new agreement with the British and U. S. representatives. In general the objective of the U. S.- U. K. authorities was to reduce as far as possible Swedish assistance to the Axis, increase or maintain assistance to the U. S. and U. K. The U. S. proposal is in the direction of supplying so-called basic rations in return for the complete elimination of Swedish credit to Germany, a limitation of iron ore shipments on a ratio basis with the coal received from Germany, a reduction of Swedish exports to any other of the blockaded countries to the minimum absolutely necessary for barter purposes, and a stoppage or reduction of the German transit traffic. Mr. Riefler reported that on the matter of German transit traffic the Swedes have agreed that rather than having it included in the formal agreement they would prefer to have it understood that the rest of the agreement be based on the elimination of German transit traffic. In the event that it were not eliminated, we would be at liberty to modify the agreement. In response to questions, Mr. Riefler pointed out that the Gothenburg traffic was stopped by Germany after Sweden being pressed by the U. S. and Britain agreed to release two Norwegian ships at Gothenburg.

Mr. White pointed out that the decision in that case rested finally with Germany.

Mr. Riefler noted, however, that Sweden was in effect under a double blockade, so that while both German and the United Nations had certain negative power, neither was in a position to control Swedish trade completely. It was generally agreed that Sweden was by no means a free agent, was attempting to avoid German invasion, but was dependent on both Germany and the United Nations for certain supplies, and was in a position to bargain within limits of possibly 15 to 20%. It was also agreed that German leverage was greater than that of the United Nations.

Mr. Riefler pointed out that from a United Nations standpoint, advantages have been gained from Sweden during the last year, i. e., since the German invasion of Norway, the Swedes have retrolled the Swedish coast and have conveyed their own vessels with German ships no longer allowed to join the convoy, the Swedish patrol apparently being directed at the possibility of a sudden German invasion. Without the oil which was going to Sweden for use of the Swedish Navy, Sweden would be stopped from a continuation of its patrol. Furthermore, Sweden was increasing its output of military supplies, which supplies were being used entirely by the Swedish Army and Navy. Actually the Swedish armed forces has been built up to about 600,000 men. It is recognized that while Sweden was in no position to successfully resist

German invasion, on the other hand an attempted invasion would undoubtedly be met with resistance. Mr. Riefler pointed out also that if Germany had foreseen the developments of the last year in Sweden Germany would undoubtedly have occupied Sweden following the Norwegian campaign.

Discussion developed that trade with Sweden was of some importance. Certain items not important from a tonnage basis were of considerable importance, particularly such items as ball bearings and spare parts for Swedish equipment. Mr. Nelson pointed out that while the U. S. was now supplying England with a major portion of its machine tools and parts, the procurement of repair parts from Sweden for Swedish machines in England was of considerable importance in relieving U. S. industry. Mr. Batt also indicated that while the United States could supply various types and sizes of bearings it would add to the domestic burden.

It was agreed that Germany was of course procuring materials, principally iron and steel which were of great importance and any increase in supply would be in Germany's interest.

Mr. Perkins reviewed the action of the Board at its meeting in November, at which time a program had been outlined under which we were to attempt to gain the objectives reviewed by Mr. Riefler in his introductory statement and in return for which we were to agree to the supply of so-called basic rations. The matter had been referred to the Chiefs of Staff, who had agreed that we should proceed with items 1. to 1. of that November proposal, but that the Chiefs of Staff had suggested that no further oil should be shipped until definite concessions had been secured from Sweden. Finally, however, two tankers of oil had been allowed to go without concessions having been received, although following the release of the tankers, it was found impossible for the Norwegian ships to sail, and the Gothenburg traffic was cut by the Germans so that we were in about the same position as in November so far as negotiations were concerned. At the same time as military successes grew and the position of Germany became relatively weaker, it appeared that the U. S. pressure should be increased. With a strengthened Swedish position, the probability of German invasion would be diminished.

There was some discussion of the possibility of attempting to get a commitment from Sweden with reference to assistance taken should United Nations' forces move into that area. It was agreed, however, that it would be difficult to get a commitment which would be binding.

There was general feeling there should be a continuation of negotiations along the lines previously outlined, this opinion not being unanimous however, Mr. Patterson particularly noting that the Army was opposed to any traffic with Sweden as long as it was giving any support to Germany.

Switzerland

With reference to Switzerland, Mr. Riefler stated that in 1941 the British had limited shipments to Switzerland through the blockade to food and fodder and had attempted to secure an agreement limiting Swiss products going to Germany, mainly, arms and machinery. In 1942 we entered the negotiations through the Blockade Committee. Our objectives were the same as those of Britain in attempting to secure a reduction of arms and machinery.

Last June we began to cut supplies although we did continue to allow certain products to go through the blockade, securing mainly machine tools which were going to Russia, Britain and the United States. In terms of tonnage we had not secured a very large volume.

In July it appeared that the negotiations were making progress. As negotiations proceeded, however, it became apparent that the Swiss, however, were stalling. In December negotiations were broken by the Swiss leaving London and returning to Switzerland. In January of this year Germany asked for an increase in materials from Switzerland and the Swiss refused, negotiations being broken off. About three weeks ago Germany reduced the coal supply going to Switzerland and it then appeared that the Swiss proposed to complete deliveries on old German contracts, agree to a new rate of supply somewhat less than the rate contained in the old agreement and grant new credits in return for German assurances in regard to coal shipments. A review of the proposal disclosed that under it the Swiss would increase actual deliveries over deliveries last year. As a result of the new development a note has been prepared for delivery to the Swiss protesting the proposed agreement with Germany and informing the Swiss that all navicerts and export licenses will be suspended 14 days after presentation of the note pending clarification of their relationship with Germany.

Discussion developed the fact that Switzerland was supplying things of material value to Germany, that goods going through the blockade were of importance and that certain supplies which we were receiving from Switzerland were of great importance. The only direct leverage was that of food supplies. Mr. Pehle stated that Treasury had great difficulty in determining the financial manipulations of the Swiss and were receiving little cooperation with the Swiss in clarifying the credit situation.

It was clear that the situation with reference to Switzerland is worse than it has been at any time, with the next move being up to the Swiss.

Spain and Portugal

Mr. Riefler pointed out that the blockade problem with reference to Spain and Portugal was much less pressing than with Sweden and Switzerland. The trade with these countries is regulated under supply-purchase agreements which have been reasonably satisfactory. These programs are designed to secure those goods which are present in the enemy, such as wolfram,

skins and woolen goods and those needed for supply reasons by the United Nations and on the other hand to furnish for political and military reasons goods needed to maintain a minimum wartime economy. He pointed out particularly the importance of wolfram to Germany and also that with reference to Spain and Portugal the objective was to reduce German credits. Last fall it appeared that progress was being made on the credit problem but upon German occupation of all of France, Spain continued its credits. At the present time the situation looks somewhat better. There was some discussion of the volume of goods being received from Spain relative to the volume being supplied, the ratio for the last half of 1942 being quite favorable in terms of dollars.

Mr. Patterson raised the question as to the control of petroleum being supplied and Mr. Biefler indicated that he believed control was quite satisfactory.

Mr. Feis raised the question as to the completeness of the statistical information on oil.

It was also developed that Salazar of Portugal was a particularly hard bargainer who was interested in his country, greatly concerned with its position and somewhat resentful because it was not possible for him to build up stocks for price control purposes.

With reference to Spain, it was indicated that while Franco was pro-German, Germany had not been delivering promised supplies, so that the position of those elements in Spain favorable to the United Nations was being strengthened by supplies being made available through the blockade.

The meeting adjourned at 11:40 A. M.

MAY 19 1943

Your Excellency:

I am very happy to learn of the interest the Holy See is taking in the plight of the Jewish people in Europe. I am confident that your continuing interest through the difficult times ahead will alleviate a great deal of human suffering and misery.

With kindest personal regards, I remain

Most sincerely yours,

(Signed) Henry Morgenthau, Jr.

To His Excellency,
The Most Reverend Amleto Giovanni Cicognani, D.D.,
3339 Massachusetts Avenue, Northwest,
Washington, D. C.

JLS:eh *JLS*

73



APOSTOLIC DELEGATION
UNITED STATES OF AMERICA

3339 Massachusetts Avenue
Washington, D. C.

No 581/42

May 15, 1943

THIS NO. SHOULD BE PREFIXED TO THE ANSWER

My dear Mr. Secretary:

Mr. Myron Taylor recently presented to me a copy of a memorandum written by a certain Doctor Erwin Tausseig on the conditions prevailing among interned Jewish civilians in Italy, informing me at the same time that the memorandum had also been forwarded to you on the request of the writer.

Since the memorandum suggests the intervention of the Holy See, both to impede the deportation of these unfortunate people to Poland, and to obtain their transfer to other territories in the Near East, Africa or South America, I wish to assure you that the Holy See is constantly using its good offices on behalf of these victims of the war and of racial persecution.

In fact, late in December 1942 His Eminence, Cardinal Maglione, Secretary of State, asked me to assure Rabbi Rosenberg of New York, in response to an appeal of the Union of Orthodox Rabbis of America and Canada, that the Holy See was continuing to do everything possible for the Jewish people of Germany.

More recently, in March 1943, the Royal Yugoslav Embassy in Washington presented the sad case of 15,000 Yugoslav Jews interned in Italy, and in imminent danger of transfer to Poland. About the same time Mr. Taylor, on request of Doctor Stephen S. Wise, asked the intercession of the Holy See on behalf of Jewish internees.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury

Late in March I received Rabbis Silverstone, Kalmanowitz, and Metz, and in conformity to their request, as on each of the previous occasions I communicated with His Eminence Cardinal Maglione, stressing the need for immediate and effective action to impede the deportation of Jewish internees from Italy.

On at least four different occasions, in these last few months, I have received responses from His Eminence assuring me, and asking me to inform the interested parties, that the Holy See has done and continues to do everything in its power to alleviate the suffering and distress of these people, and to prevent their falling into even worse circumstances.

While His Eminence has not given me detailed accounts of the measures taken, I can assure you that every slightest opportunity is seized to help these unfortunates. Of course the transportation of these people to other countries meets with many difficulties, but in this field too the Holy See has effectively helped and facilitated the emigration of many Jewish refugees from Europe.

I have written the foregoing that you might be apprised of the humanitarian work that the Holy See has done in the past, and will strive to do in the future for all victims of the war and of racial prejudice. If any case should come to your attention, wherein the assistance of the Holy See may be of good service, please do not hesitate to call upon me and I shall cooperate to the fullest.

With the assurances of my highest consideration and of my deep personal regard, I beg to remain

Yours very sincerely,

A. G. Cicognani
Archbishop of Laodicea
Apostolic Delegate

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

May 19, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - By a vote of 202 to 194 the House yesterday turned down Representative Knutson's motion that House conferees be specifically instructed to accept in a joint conference with senators the Senate-approved Rum1 Plan. This third House defeat for the Rum1 Plan lets Representatives Doughton, Cooper, Disney, Dingell, Knutson, Reed, and Jenkins, the conferees, go to conference without their hands tied and free to work out a compromise on the differing House and Senate versions. Much of the House debate yesterday centered around whether the President intends to veto the Rum1 Plan, if it is sent to him. Representative Doughton claimed the President's statement that he could "not acquiesce" in skipping a whole year's taxes could mean only that he had every intention of vetoing such a measure, but Representative Knutson replied equally heatedly that this phrase could mean the President, while not agreeing, would let the bill become law without his signature. But whether the House was convinced by Doughton's argument or not, general consensus of opinion is that the influence of the President's letters to Representative Doughton and Senator George swung enough of the "borderline cases" to the Majority party to deal what is generally believed to be the knockout blow for the Rum1 Plan. But although the leading conferees from both the House and Senate, consistently opposed to skipping a full year's taxes, will probably see that the Rum1 Plan does not emerge from the conference, chances of a compromise may be equally deadlocked for, as Edward Ryan observes in the Washington Post this morning, "there is no clear majority for anything." The joint conference is expected to meet on the problem after the Senate Finance Committee has voted on the Reciprocal Trade Agreements Act, which they are expected to do some time today.
2. Deficiency Appropriation Bill - Issues which have come in for much criticism, both outside and inside Congress, are now embodied in certain clauses of the 134-million dollar

urgency deficiency bill, which was passed yesterday by the House and sent to the Senate. One of its most controversial amendments, sponsored by the Kerr Subcommittee, denies the payment of salaries, and thus Federal employment, to Lt. Governor Robert Morse Lovett of the Virgin Islands, and Dr. Goodwin B. Watson and Dr. William Dodd, Jr. of the FCC, on the grounds that all three have been members of organizations serving as "fronts" for communistic activities. Secretary Ickes, however, defends the record of Dr. Lovett and the FCC has come to the support of its two employees. Another amendment to the deficiency bill prohibits the President from using any of the emergency funds, provided in the act, for the expenses of either the Farm Security Administration or the National Resources Planning Board, both of which have been the targets of much Congressional criticism.

Note - "The fight that is steadily growing" between the Administration and Congress is discussed in Merlo Pusey's column "Wartime Washington" in today's Washington Post.

OFFICE
SECRETARY OF TREASURY

1943 MAY 20 PM 1 47

TREASURY DEPARTMENT NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 164

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

1. MILITARY

TUNISIA. Total number of prisoners counted to date now 224,200

BURMA. ARAKAN. 16th/17th. Our Raiding Parties landed at Japanese occupied MAUNGDAW and encountered strong opposition. 18 out of 20 Japanese were killed in attempting a bayonet charge.

2. AIR OPERATIONS

WESTERN FRONT. 17th/18th. Out of 8 Torpedo Hampdens sent out 3 sighted and attacked a convoy off FRISIAN ISLANDS. 2 ships were later seen in the vicinity with the decks awash and smoking heavily. 2 Hampdens missing.

18th. 12 Bostons attacked ABBEVILLE Airfield and 8 Typhoon Bombers POIX Airfield. 5 Typhoons missing. 18th/19th. Aircraft despatched - Seaminging - 17, Intruder 27, Anti Shipping - 2. 12 Enemy Aircraft operated against LONDON, 1 F.W. 190 was destroyed by a Mosquito.

TUNISIA. Between 14th and 16th inclusive, a total of about 30 enemy aircraft attacked BONE.

ITALY. 16th/17th. Wellingtons dropped 38 tons on the Seaplane base at LIDO DI ROMA where hangars were set on fire. 17th/18th. Mosquitos carried out effective Intruder Patrols over Southern ITALY.

BURMA. 16th. Mitchells attacked Railway Installations in the MANDALAY Area and 17 escorted Vengeance bombed Wireless Station on ARYAN Island.

3. HOME SECURITY

18th/19th. LONDON. Single Bombs were dropped in 6 outer suburbs and at 2 places in ESSEX. No serious incidents reported and so far only 2 reported killed.

~~AM~~
May 20, 1943

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

In accordance with your instructions, I attended the meeting of the Joint Federal-Council of State Governments Committee on Taxation in Chicago Monday, May 17, 1943. More than half of the State members were present. A representative was present for the Bureau of the Budget.

The subject discussed was the Gulick-Groves report made to you on Intergovernmental Fiscal Relations. The principal interest centered on the three-man board or authority recommended set up as a permanent agency promoting intergovernmental fiscal relations.

State members of the Committee on Taxation seemed to feel that the three-man board idea was not a practical approach and that, at least for the time being, it would be better to try to accomplish the same objective through the Committee itself. An executive committee of five will meet in Washington in the next few weeks to decide on what organization and procedure to recommend as the most practical way of putting into effect increased Federal-State cooperation. I hope you will be able to see the Committee for a short time while they are here.

I was asked to convey to you the assurance that the State people are in real earnest to accomplish something substantial and to take the question of Federal-State relations out of the faulty stage. I assured them that this end was the one you desired to see accomplished. I have some private doubts as to how much they really want to see accomplished.

Some resentment - I believe not justified - was expressed at certain language contained in the report which was felt to cast a derogatory light on the Council of State Governments and its activities. This matter has been entirely smoothed over and certain minor verbal changes are being made in the report to meet the objections.

RB

AGENDA

FOR THE BOARD OF ECONOMIC WARFARE MEETING
TO BE HELD MAY 20, 1943 AT 10:00 A. M.
ROOM 201, SENATE OFFICE BUILDING

1. Discussion of report on "Policy on Civilian Relief in the Blockade Area." Report attached.
2. Discussion of report entitled, "Modification of Export Policy for Gold Mining in Latin America." Report attached.

BL-89
CONFIDENTIAL

Copy 8

BOARD OF ECONOMIC WARFARE
Blockade and Supply Branch
Blockade Division

POLICY ON CIVILIAN RELIEF
IN THE BLOCKADE AREA

CONFIDENTIAL

May 3, 1943

Conclusions

The Board of Economic Warfare is pursuing the following policy on relief shipments to and within the blockade area:

1. Except under certain existing arrangements approved by the United States Government, no relief shipments involving the passage of goods through the blockade for distribution in any occupied country are permitted. Should strong evidence appear, at any time, that shipments under such existing arrangements are proving of direct or indirect aid to the Enemy, such shipments are not permitted.
2. Relief shipments to neutral countries, for distribution solely within such neutral countries, are permitted through the blockade, with the approval of United States blockade authorities, only if adequate provision is made for selection of those who are to get the relief on the basis of need alone, and only in the absence of any strong evidence that such shipments are proving of direct or indirect aid to the enemy.
3. Purchases and shipments of relief goods within the blockade area are permitted only with the approval of the United States blockade authorities, and only on the following conditions: that distribution is made on the basis of need alone and is properly safeguarded; that the Enemy will derive no direct or indirect benefit therefrom; that these shipments do not conflict with the procurement or preemption operations of the United Nations; and that the relief is shown to be of positive value in prosecuting the war.
4. The Executive Director of the Board, in cooperation with officials of other United States agencies, is taking steps to work out the application of these principles in specific cases, and to ensure the adoption and effective administration of an Anglo-American policy along the above lines.

EXISTING POLICY AND PROBLEMS

1. Shipments Through the Blockade to
Enemy or Neutral Territories

Up to the present time, the joint policy of the British and United States Governments has been to prohibit shipments through the Blockade to enemy or neutral countries of goods to be used for civilian relief.

The only exceptions to this policy have been (1) the relief plan approved by both governments in August 1942 for Greece, and (2) the International Red Cross medical aid program.

The justification for making an exception in favor of Greece was the belief that the enemy could afford to permit civilians in that country to starve because of the absence of any significant resources in Greece which require a healthy working population. It was believed, therefore, that civilian relief in Greece, which would not relieve the enemy of a burden it otherwise would carry, could be based on principles different from those applying to the other occupied countries. Shipments of limited quantities of medical supplies, distributed under careful safeguards in the occupied countries, have been permitted under the supervision of the International Red Cross.^{1/}

During recent months, the British and United States Governments have been under great pressure to permit an enlargement of relief shipments through the blockade, principally for the civilian populations in Norway and Belgium. The recommendation made above would prevent such relief operations at present. Although there are strong humanitarian reasons for permitting relief shipments through the blockade, it appears

1/ Medical supplies are defined as drugs of humanitarian application strictly and solely, excluding products convertible to other uses or whose use in medical practice could not be defined as humanitarian in effect. The rule at present applied permits the shipment through the blockade to occupied territories of medical products which, it is believed, can be of no material assistance to the Enemy if diverted from the intended recipients and which the Enemy would not be likely to provide in any case. Thus, navicorts are not granted for bandages or cotton wool, blankets, and other textile materials, nor for oily and fatty substances, nor for critically valuable drugs, such as quinine, or for vitamins.

certain that such shipments would result in direct benefits to the enemy and involve a fundamental breach in the blockade, particularly since any permission granted to one refugee government for such a relief program would probably have to be extended to all others.

2. Shipments Within the Blockade Area to Neutral or Enemy Territories

Intrablockade relief shipments have been carried on for some time. The British Government has taken the principal responsibility for approval, on the assumption that surplus food supplies of indigenous origin in neutral countries are generally available to the enemy in any case and that this is the least harmful method of conciliating the governments-in-exile which have pressed strongly for some relief action. Thus, among the approved intrablockade relief programs are the following:

1. The Belgian Government is allowed 250,000 pounds sterling a month for the purchase in Portugal of foodstuffs which are shipped in sealed cars to Belgium and distributed there under supervision of the Belgian Red Cross. Ninety-eight percent of the shipments consist of fish in brine and the balance of nuts and dried fruits, all products indigenous to Portugal.
2. One pound parcels are sent by mail from Portugal to individuals in various occupied countries. The contents of the parcels are sardines, nuts and dried fruits of Portuguese origin. The British Government has approved proposals for the expenditure of 3,000 pounds sterling a month for such parcels by each of the following governments: Belgium, Netherlands, Norway, Poland, Czechoslovakia, and Free French.

Similarly, the United States Government has approved the expenditure in Portugal of \$12,000 a month each by the Belgian Embassy in the U.S.A., the Joint Distribution Committee for Poland and the Polish American Council.

3. Recently a new proposal for the shipment of relief supplies from Turkey to Yugoslavia for civilian relief was presented to the U. S. Government by the British Government, which had, in effect, given its approval to this plan.

Certain shipments from one part of the blockade area to another may, however, be contrary to United Nations interests unless it is shown that such relief exports will not interfere with the procurement and procurement operations of the British and United States Governments in the neutral countries and that the distribution of the relief supplies in enemy countries will be properly safeguarded so that the Enemy will not derive any direct benefit. Because the funds available for procurement and procurement in neutral countries are strictly limited and in many cases, in fact, insufficient to achieve desired objectives, the use of dollars or pounds for such relief shipments may seriously interfere with United Nations purchasing activities. In some cases, also, the foodstuffs or other materials sent from a neutral country to enemy territory for civilian relief may tend to replace goods which the enemy would otherwise supply to these populations in its own interest. In addition, a proper selection of the commodities used in such relief programs might enable the British and United States Governments to make their procurement operations more effective, thus achieving a double objective. For these reasons, no unqualified approval is given to relief shipments from one part of the blockade area to another.

3. Need for Coordinating Policies and Decisions of the British and United States Governments

Civilian relief programs necessarily have grave economic implications. There is the danger that the blockade, which is becoming increasingly effective in weakening the military power of the Enemy, may be so relaxed as to injure United Nations interests. At the same time, the British and United States Governments face strong pressure from the governments-in-exile, which argue that relief shipments will save the lives of sympathizers and hidden allies within the Enemy's stronghold. Under these circumstances, whatever policies or decisions are formulated on relief questions as they affect the blockade should involve the joint responsibility of the British and United States Governments. Unless this is done, the governments-in-exile may be able, as in some instances in the past, to place upon the United States Government the sole responsibility for refusing their relief proposals, just as before the United States entered the war the British Government was held primarily responsible for a rigorous blockade policy.

REPORT TO THE BOARD OF ECONOMIC WARFARE

ON

MODIFICATION OF

EXPORT POLICY FOR GOLD MINING IN LATIN AMERICA

1. ECUADOR

May 20, 1943

BOARD OF ECONOMIC WARFARE
Document Security Section

30289

(B)

PROPOSED RESOLUTION OF THE BOARD OF ECONOMIC WARFAREMAY 20, 1943

"WHEREAS special circumstances surrounding gold mining in the Province of El Oro, Republic of Ecuador, make it desirable that the rigid export policy with respect to gold mining abroad of February 11, 1943, be relaxed for the balance of 1943 with respect to Ecuador;

"AND WHEREAS special cooperation on the part of the country and company involved have reduced the requirements to only 170 tons of supplies from the United States for the balance of 1943;

"NOW THEREFORE BE IT RESOLVED that the Board of Economic Warfare permit the exportation of these 170 tons of supplies to the South American Development Company for the maintenance of reduced operations in the Province of El Oro, Ecuador, for the balance of the year 1943;

"AND BE IT FURTHER RESOLVED that these supplies be shipped from the United States at the earliest possible moment, but in any case, prior to October 1, 1943."

CONCERNING EXPORT POLICY FOR GOLD MINES

IN ECUADOR. MAY 20, 1943

General Statement

The gold mines involved are located in the Province of El Oro, Republic of Ecuador, and are the property of the South American Development Company. The Province of El Oro is the southernmost region of Ecuador, and was the territory invaded by Peru in the "border incident" leading to the loss of a large part of the territory previously claimed by Ecuador. Subsequent to the settlement of the dispute, and because of the devastation wrought in the Province of El Oro, the United States Government undertook large scale rehabilitation work in El Oro, which work is now in progress.

The entire Province of El Oro is economically dependent upon the mining activities of the South American Development Company. Some 20,000 people are directly affected, aside from the agricultural developments under the auspices of the Coordinator of Inter-American Affairs. The closing down of the mines there would therefore result in severe unemployment and create serious economic distress.

However, in addition, the scene of the Province as the theatre of war in the recent border incident magnifies the importance of the region. The Government of Ecuador has specifically indicated its grave concern over the possible repercussions from cessation of employment there, which would force the inhabitants to seek work elsewhere and thus virtually depopulate the Province, opening the way for another "border incident". The fear is very real, and apparently is not without foundation.

The Requirements
of the
Ecuador Gold Mines

After several conferences, the representatives of the South American Development Company and the Government of Ecuador agreed to revise their list of requirements downward, and have submitted a revised list covering only some 170 tons for the balance of the year 1943. Their previous requirements ran between 1,500 and 2,000 tons a year. They believe therefore that a reduction to 170 tons represents a severe "cutting to the bone" and we agree with their stand. The engineers and others qualified to pass upon the matter concur in the contention that this reduces requirements to an absolute minimum for bare maintenance.

Company and Government officials wished to go on record that the yearly requirements, on a minimum basis, were 500 tons a year, and expressed the hope that some way might be found for meeting those requirements in 1944 and 1945.

The Recommendation

In view of the conditions as explained, and the very special considerations surrounding the operations of the gold mines in Ecuador, particularly the properties of the South American Development Company at El Oro Province in Ecuador, we recommend that the Board pass the resolution to furnish 170 tons of supplies to the mines at El Oro, Ecuador, for the balance of 1943; and that the action taken be communicated immediately to the Government of Ecuador and the South American Development Company so that application might be made immediately for supplies needed.

Supported by:

Letter from Dr. Olaf Ravndal, Assistant Chief, Division of Exports and Requirements, Department of State, to Colonel Ziegler, Chief, Operations Branch, dated March 24, 1943, which reads:

"There is enclosed herewith a list of supplies for the South American Development Company's mine situated at Portovelo, Province of El Oro, Ecuador, with a gross weight of 372,633 pounds consisting of materials fully manufactured, packed and ready for shipment. The Department recommends that a departure be made, in this particular case, from the established policy of not granting shipping space for supplies consigned to gold mines, in view of the importance of this mine to the economy of the Province of El Oro. This recommendation is in no way to constitute a precedent and is made purely on the grounds of urgent need and the fact that the materials have been licensed, manufactured and are ready for shipment."

Letter from W. L. Batt, Vice Chairman, War Production Board, to Mr. Hector Lazo dated May 11, 1943, which reads:

"Confirming our telephone conversation with regard to the requirements of the South American Development Company, the War Production Board will not object to your recommendation and will make every effort consistent with other claims to supply the small amounts of material needed."

Letter from Mr. Nelson Rockefeller, Coordinator of Inter-American Affairs to Mr. Henry A. Wallace, Chairman, Board of Economic Warfare dated May 12, 1943, which reads:

"This Office has been informed that at the next meeting of the Board of Economic Warfare consideration will be given to the export of certain supplies for the South American Development Company's gold mine in El Oro Province, Ecuador. We have been advised by the South American Development Company that they have requested five hundred tons of equipment per year consisting of dynamite fuses, by-nids, and certain replacement parts for mining machinery.

"As you are aware, we have followed closely the gold mining situation in a number of the other American Republics in view of our responsibility for such emergency rehabilitation programs as might be required in cooperation with the other governments in the event of widespread unemployment due to cessation of gold mining operations. We are informed that five thousand workers are directly employed in the gold mine in El Oro Province and estimates as to the number of

people dependent on this employment run from ten to fifteen thousand.

It has been the objective of our Office to do everything possible to assist in maintaining the economic and social stability of the other American Republics because of its importance to the effective cooperation of the Governments of these countries in the prosecution of the war effort.

"In this connection, the policy of this Office with regard to work relief programs in countries where gold mining operations may cease due to lack of replacement parts was expressed in our memorandum of January twenty-seventh to Mr. Hector Lazo, and this policy will be followed if required in the case of Ecuador. There seems to be little question that the closing of the gold mine in El Oro Province would cause severe unemployment and create economic distress which might assume serious proportions.

"If the Board of Economic Warfare should decide that the supplies requested by the South American Development Company are to be shipped to Ecuador, there would be no need for this Office to undertake, in cooperation with the Ecuadorian Government, a work relief program in the mining area. Should the decision be reached that no equipment is to be shipped to Ecuador, this Office is prepared to initiate such work relief programs as may be required upon receipt of necessary documentation from the Department of State, the Board of Economic Warfare, the War Production Board, and the War Shipping Administration, as indicated in our statement of policy on January twenty-seventh, if the necessary funds are provided by the Congress in connection with our 1944 appropriation."

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OFFICE
SECRETARY OF TREASURY

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

OWI does not clear these Nugent talks because his job is not considered on a policy-making level, even though he has been allowed to discuss policy.

Maxon of OPA says he will call our attention to future Nugent copy. I am attaching clippings on NAM opposition to Nugent's proposal.

@ s/v

Liquid Savings Held Post-War Prosperity Key

O. P. A. Aid Tells Retailers Funds Could Bring Long Period of Good Trade

Special to the Herald Tribune

COLUMBUS, Ohio, May 18.—The tremendous fund of liquid savings that is being accumulated now could, "if properly channeled into consumption, produce a long period of unparalleled peace-time prosperity," Rolf Nugent, director of the Office of Price Administration's credit policy office, told today the second war-time conference of the Credit Management Division of the National Retail Dry Goods Association, meeting here in the Deshler-Wallick Hotel.

"By the end of the war," Mr. Nugent said, "American families will have larger cash balances and other liquid assets than ever before."

He quoted estimates by V. S. Woytinsky of the Social Security Administration, which indicated that liquid savings of individuals will exceed \$320,000,000,000 by the end of the war, if victory is achieved in Europe in 1944 and in the Far East in 1946.

"Besides," Mr. Nugent said, "families will be more nearly out of debt than at any time during the last thirty years. Installment sales obligations, except for a few types of goods for which there is a continuing supply, will have virtually disappeared; personal loan debt will have been cut to small proportions and all other forms of individual debt will have been substantially reduced."

"These favorable circumstances will not in themselves assure a stable post-war prosperity," he added. "On one hand, some part of our accumulated purchasing power will undoubtedly come into the market for goods very promptly after the war. Millions of people will want to replace worn-out automobiles, refrigerators, washing machines, radios, oil burners,

stokers and similar goods as soon as production is resumed, and it will be impossible to supply the total demand immediately. Unless something is done to limit demand, especially for consumers' durables, the danger of inflation during the immediate post-war period will be greater than during the war.

"On the other hand, there will be a tendency for most people to treat their war-time accumulations as reserves for rainy days, old age and dependents' protection, and to confine expenditures to their current incomes," Mr. Nugent asserted. "To the extent that this occurs, we are likely very soon after the war to face problems of chronic deflation similar to those experienced during the 1930's. The rate of saving, having reached levels close to 50 per cent of total income payments, is unlikely to fall back to pre-war level."

What is needed, Mr. Nugent said, is a method of earmarking part of our accumulating liquid savings for post-war spending and of regulating the timing of these expenditures so that they do not all come at once.

"The plan of installment selling for post-war delivery which I developed for the Office of Price Administration," he continued, "would help to relieve the inflationary pressure on war-time prices, increase the backing of post-war demand for consumers' goods, and regulate the flow of this demand. There may be better ways of accomplishing these objectives. If so, they should be found and put into effect promptly."

"Military victory will represent only the completion of the first stage of the battle for the Four Freedoms. Even after we have defeated the Fascist forces on the battlefield, victory will not have been won until we can show that democracy can deal as effectively as other political systems with the problems of maintaining full production and economic security. The war has brought about unprecedented distortions in our economy. Effective peace-time adjustments will require foresight, clear thinking and bold and vigorous action."

NEW YORK
Herald Tribune
MAY 20 1943

Installment Sales Plan For Post-War Era Scored

The board of directors of the National Association of Manufacturers announced yesterday its agreement with the opposition by Treasury Secretary Henry Morgenthau jr. to various proposals of installment selling for post-war delivery, including the Nugent plan. The basic reason for the board's announced stand is the belief that any of the numerous "installment-selling-in-reverse" ideas would compete directly with the sale of war bonds.

Members said that in their opinion any such undertaking would tend to stifle the development and sale of new products after the war, would require double selling expenses. They said the program would result in increased sales after the war.

The board also raised the question of who is to assume the risk of a possible sharp increase in the post-war price level.

The New York Times.

MAY 20 1943

OPPOSES USE OF BONDS FOR POST-WAR SALES

N. A. M. Says It Would Stifle Creation of New Items

The Nugent Plan and all other similar proposals of installment selling for post-war delivery were sharply condemned yesterday in a statement by the board of directors of the National Association of Manufacturers. Four basic reasons for opposing this type of post-war selling were listed as follows: (1) It would not result in more sales after the war; (2), the tendency would be to stifle the development and sale of new products; (3), it would require double selling and double expense, and (4), it is in direct competition with the sale of war bonds.

"When the public invests in war bonds it can devote the proceeds after the resumption of normal production to the purchase of any goods or services, which is not the case with future-delivery installment certificates under the Nugent and other plans.

"There is also the question of who is going to assume the risk in case of a sharp post-war inflationary increase in the price level."

NEW YORK
Herald Tribune
 MAY 20 1943

S. E. C. Warns of Inflation Trend In Study of Individuals' Savings

**Unusual Proportion of Public's Income Still Going
 Into Currency and Demand Deposits, Agency
 Says; Reduction in Indebtedness Shown**

Special to the Herald Tribune

PHILADELPHIA, May 19.—If the present pattern of individuals' savings persists, with a high proportion of income continuing to go into currency and demand deposits, "the control of inflationary tendencies will become increasingly difficult," the Securities and Exchange Commission warned today in making public an analysis of the volume and composition of saving by individuals in the United States covering the first quarter of 1943.

The analysis showed that while the total savings by individuals in the first quarter of 1943 declined somewhat from the high point reached in the fourth quarter of 1942, reflecting a small decrease in income after taxes, nevertheless, after paying the largest tax bill in history, individuals added \$4,800,000,000 to their cash and deposits, largely cash on hand and in checking accounts.

At the same time they purchased \$2,600,000,000 in government bonds, added \$800,000,000 to their equity in private insurance, mostly life insurance, and reduced their indebtedness other than mortgages, by \$700,000.

"The most significant feature of the pattern of saving during the first quarter of 1943, as in prior quarters, was the unusually high proportion of income which the

public continued to put into currency and demand deposits," the S. E. C. analysis said.

"Additions to cash on hand and to checking accounts, amounting to \$4,300,000,000, again constituted the largest component of individuals' savings. From the beginning of 1943 to the end of March, 1943, money in the hands of the public (currency and demand deposits) increased by the unprecedented sum of \$15,500,000,000, an increase of more than 50 per cent since December, 1941.

"In view of the magnitude of the item, it may be well to recall that additions to cash on hand and to checking accounts do not constitute saving in the same sense as increases in holdings of securities, or saving in other liquid forms. While part of the growth in currency and demand deposits undoubtedly represents a relatively permanent form of saving, and another provision for future payment of currently accruing taxes, there remains a considerable portion which represents only a temporary accumulation of funds not earmarked for investment, that may at any time be diverted into consumption and other channels. If such funds continue to grow at the present rate, the control of inflationary tendencies will become increasingly difficult."

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 20, 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 May 12, 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.

Int. EMB

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

May 19, 1943

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

I am enclosing our compilation for the week ended May 12, 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/ Robert G. Rouse

Robert G. Rouse,
Vice President.

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

Enclosure

copy:kma:5/20/43

BANK OF ENGLAND (BRITISH GOVERNMENT)

PERIOD	D E B I T S				C R E D I T S					Net Incr. (\$) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. in \$ Funds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Securities (Official)		Transfers from Official Australian Account	Other Credits (c)				
		Gold	(b)										
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	866.2(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. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	82.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1943													
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	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
WEEK ENDED:													
Apr. 21	5.8	2.3	-	3.5	9.0	-	-	2.1	6.9	+ 3.2	-	-	-
28	12.3	8.4	-	3.9	14.6	-	-	-	14.6	+ 2.3	-	-	-
May 5	6.8	4.7	-	2.1	17.8	-	-	1.0	16.8	+ 11.0	-	-	-
12	65.0(j)	59.7(j)	-	5.3	24.8(k)	-	-	12.0	12.8(k)	- 40.2	-	-	-

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) 23.1 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of War Transport, Ministry of Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$55.0 million paid to U. S. Commodity Credit Corporation; total represents largest weekly expenditure since November, 1940.
- (k) Includes \$8.6 million deposited by British Ministry of Supply, and \$1.1 million transferred from New York accounts of British authorized banks.

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF CANADA						
	DEBITS				CREDITS					DEBITS						
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French 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
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
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	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	18.4	15.1	1.3	19.3	-	19.3	+ 2.9
WEEK ENDED:																
Apr. 21	10.6	-	10.6	11.5	-	-	-	11.5	+ 0.9	3.1	3.1	-	0.3	-	0.3	- 1.0
28	6.1	-	6.1	4.0	-	-	-	4.0	- 2.1	0.1	0.1	0.0	0.2	-	0.2	+ 0.1
May 5	6.7	-	6.7	22.8	-	-	-	22.8	+ 14.1	3.0	3.0	2.0	3.3	-	3.3	+ 0.3
12	56.5(d)	-	56.5(e)	12.3(f)	-	-	-	12.3(f)	- 14.2	12.0	12.0	-	12.6(h)	-	12.6(h)	+ 0.8

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 May 12, 1943) 8.8 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 \$ 4.7 million deposited by War Supplies, Ltd.
- (g) Includes \$50.0 million paid to U. S. Treasurer, in reimbursement for goods acquired for Canada through facilities of Lend-Lease Administration. Canadian expenditures for the week largest recorded for war period.
- (h) Includes \$ 2 million paid for credit of U. S. Army.

PARAPHRASE OF TELEGRAM SENT

TO: American Mission, New Delhi, India

DATE: May 20, 1943, 1 p.m.

NO.: 254

Reference is made to the Mission's no. 347 of May 17
at 1 p.m.

It is suggested that the New York Times text be used
instead of that which Gregory held as several changes were
made in it before publication.

HULL
(FL)

eh:copy
5-28-43

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1943 MAY 21 PM 1 02
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TREASURY DEPARTMENT

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 165

Information received up to 7 a.m., 20th May, 1943.

1. NAVAL

One of H.M. Destroyers yesterday captured the enemy Hospital Ship KONSTANZ, north off PANTELLERIA and sent her into MALTA for search and investigation.

2. MILITARY

BURMA. 18th. A party of Japanese advancing northwards from BUTHIDAUNG was routed by our troops with 27 enemy casualties.

3. AIR OPERATIONS

WESTERN FRONT. 19th. 103 U.S. Fortresses dropped 230 tons on KIEL and 55 others dropped 123 tons on FLENSBURG. Bombing results were generally good. 6 Fortresses on KIEL missing. 19th/20th. Aircraft despatched: BERLIN - 6, Intruders - 33, Leaflets - 5. 10 enemy aircraft operated over South-east ENGLAND, a few of which penetrated to the GREATER LONDON Area. 1 F.W. 190 landed at MANSTON airfield, cause unknown.

SARDINIA. 17th/18th. Wellingtons dropped 30 tons on ALGERO town and airfield.

SICILY. 18th. 40 escorted Fortresses dropped 98 tons on TRAPANI, hitting 6 ships.

PANTELLERIA. 18th. Medium and fighter bombers dropped 87 tons hitting docks, jetties, small craft, barracks and grounded aircraft.

BURMA. 18th. 94 Bomber and Fighter Sorties were flown against enemy objectives near AKYAB and along the ARAKAN Coast.