

May 21, 1943
11:29 A. M.

FitzGerald: Are you getting the light there?
Operator: Hmm?
FitzGerald: Are you getting a light on the recording machine?
Operator: Yeah, yeah.
FitzGerald: Okay.
Operator: Yeah, it's on.
FitzGerald: Fine.
Operator: How about the loud-speaker?

Operator: Hello.
Daniel Bell: We're all ready.
Operabr: You're all ready? Well, I'll get him right on. Just a minute.
HMJr: Good morning. Can you hear me?
B: Yes, sir. Good morning.
HMJr: Good morning. Well, Sproul was here for a little over an hour.
B: I see.
HMJr: Everything's very quiet. When he left I said to him, "Is there anything on your chest that you wanted to say that you couldn't say?" He said, "No," he said, "You were square, on the level, and all your cards on the table the way you always are."
B: That's good.
HMJr: But, that's the end. We went all over this thing, I pointing out to him that I felt that I was the aggrieved person, starting with

(Cont'd.)

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HMJr:
(Cont'd)

Eccles' memorandum of March 1st, which I pointed out was very different from what they gave me last Friday afternoon, and we went over the thing from soup to nuts, and - and - so I said -- after a re-hash in which I did most of the talking -- I said, "Let's talk about what we'd do if - when we get together here." I didn't say if we got together, when we get together. I said, "Let's talk about New York." And, I said, "If - when we get together here, I would expect you to sell it to the other twelve bank presidents and that I'm not going to do it. I haven't got the physical energy, and I don't think I'd have to do it." I said, "Let's start with Perry Hall. I don't want him as District Sales Manager." "Oh," he said, "that's terrible." And I said, "I'd want a man like either Madden...." - and then he didn't like Madden, and I said, "Well, what about Randolph Burgess?" "Well", he said, "He'd be all right." So we talked about that, and I said, "I wouldn't want Dick Patterson in charge any more. I don't know who the man would be, but somebody like Pope or somebody like that." And I said, "And that will be the kind of thing that I want to do."

B: Uh huh.

HMJr: So I said, "How about - let's meet tomorrow and see whether we couldn't set up an organization the way I'd like it." And I said, "I'll have Bell, Gaston and Gamble come down." So he said, "Oh, I'm not ready for that yet."

B: He said, "I'm not ready?"

HMJr: Yeah.

B: I see.

HMJr: And he said, "I'd have to think this thing over, about getting rid of Perry Hall. See?"

B: Yeah.

HMJr: He said, "I'm not ready to sit down with those three men yet." And - so then he said, "What about Gamble?" So he said, "We don't think Gamble's the right man, and so forth and so on." And so I said, "Well, so far as Gamble's concerned", I said, "that's settled." And I said, "How - how do you know that Gamble isn't the right man?" I said, "You never have had a chance to talk to him." So - hello.....

B: Yes.

HMJr:so he said, "Well, I have to think this thing over." So I said, "Well, I'm not going to have you people tell me who I can have in Washington." I said, "Why should you?" Well, he agreed to that. Well, he didn't think Gamble was big enough. So I said, "Well, that's crossed." He said, "Well, what about Perry Hall? Have you decided you don't want him in charge in New York under me?" He said, "I'm going to be in charge." And I said, "Yes, I- well, I'd very much like to have him continue selling the banks, the corporations, on that side, but certainly I don't want him selling on the industrial side, and the pay-roll and all the rest of it." And I said, "Have you stopped to think that we'd be - forty-three out of the fifty-two weeks we'll be on the industrial side." I said, "While Perry Hall is a swell salesman, I don't think that he's the kind of a fellow I want." And I said, "On the other hand, you go to Dillon Read and Morgan Stanley and they will tell you what I did for them vis-a-vis Jesse Jones." I said, "There's no animosity here." And then I went on to explain how I had asked Eccles was there any time that in nine years that I had done anything to encroach on the Fed. and the only thing he could think of was that bank holding legislation. And then I said, "Have you realized for about eight years you fellows were entirely dependent upon me for revenue? And did I ever try to use it, did I ever try to abuse it, or did I ever suggest anybody when you were so dependent upon me on the political front?" He said, "No, you haven't." Well, I said, "Well then, why don't you people trust me?"

B: I see.

HMJr: I said, "You people don't trust me." And I said, "I have sold my organization - I have sold Ted Gamble on being willing to take the Federal Reserve, going along, and then you people come along and won't trust me." And I said, "It isn't just one day." And I was very quiet; he had all the time he wanted to say everything; he didn't say anything mean; and I didn't say anything mean.

B: Uh huh.

HMJr: But we - it gets right down to: May I have Gamble, and I must take Perry Hall. So we might just as well have the thing settled tomorrow.

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B: Yeah. I see.

HMJr: What?

B: Well, he didn't insist upon Perry Hall. He said he'd like to think that over, didn't he?

HMJr: Well - he - he - before he would go one step further, he wanted to think whether he would be willing to do - to agree not to have Perry Hall.

B: Uh huh. Well, that's what I understood you to say, that he wanted to think that over.....

HMJr: Think that over.....

B: Yeah, before he saw anybody....

HMJr:and cross that bridge....

B: Yeah.

HMJr:then we can go on. But he didn't want to see you fellows - didn't want to have you down here.

B: I see.

HMJr: Now.....

B: Did he ask - did he say when he would be ready to discuss it?

HMJr: He's coming back at 10:15 tomorrow morning.

B: No, but I mean when he would be ready to sit down.

HMJr: No.

B: I see.

HMJr: He just - he asked to do the Perry Hall thing first.

B: Uh huh.

HMJr: Now, if it's all going to hinge on Perry Hall, then we might just as well know it. I don't know how you feel, but I don't want Perry Hall sales manager for this District.

B: Well....

HMJr: And.....

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B: I thought that would be a hard bridge to cross when he got to it.

HMJr: Well, you - we might - if we cross it successfully here, we can cross similar Perry Halls everywhere else.

B: Yes.

HMJr: And my record with Morgan Stanley is they know I'm a fair person, so it isn't any personality or anything else.

B: Uh huh. Well, the conference was a nice one, but....

HMJr: A pleasant one.

B:you didn't -- and a pleasant one -- but you didn't come out with a solution for the moment.....

HMJr: No.

B:as far as personalities are concerned.

HMJr: No.

B: I see. Well, what's the discussion tomorrow about?

HMJr: He's coming in to tell the Secretary of the Treasury whether he'd be willing not to have Perry Hall.

B: Oh, that's - I see. (Laughs)

HMJr: That's the whole thing.

B: Well, that's.....

HMJr: Well, you fellows talk about it, and I'm going to call you back this afternoon.

B: All right. That's going to be a hard one for him to cross.

HMJr: You three fellows - and I'll call you back later on this afternoon.

B: All right. Randolph wants to talk to you.

HMJr: I can't talk now. I - I'll just have to stop for awhile.

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B: How is Mrs. Morgenthau this morning?

HMJr: Much, much better.

B: I see. That's fine. I'm glad to hear that.

HMJr: Randolph wants to talk to me?

B: Yes. He's sitting right here.

HMJr: Well, you just....

B: He wants to ask you a question, I think.

HMJr: You - what?

B: He wants to ask a question. (Talks aside: Don't you?)
Tell you something.

HMJr: Well, it'll have to be fast.

B: (Talks aside: It'll have to be fast. He's got to go.)

Randolph
Paul: I wanted to tell you that there were some unexpected
developments this morning in the committee....

HMJr: Yeah.

P: ...and a great deal of talk about -- from Vandenberg,
Disney and various others -- about ascertaining what
the President would accept.

HMJr: Yeah.

P: Apparently, on account of the President's letter,
some of the Republicans feel that - or people like
Vandenberg feel that they ought to go further or
they ought to have no bill. They ought to have no
bill, or they ought to have a bill that will satisfy
the President and the Treasury.....

HMJr: Yeah.

P:to keep us from making, what they call, in-
flammatory statements.....

HMJr: Yeah.

P:Now, I think I ought to get together right away
with Byrnes.....

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HMJr: Yeah.

P:and Dan Bell and Byrnes, and I - I'm a little afraid we - we ought to get, somehow, to the President because - George may go to him. I'm not sure.

HMJr: Well, get together, and you can get me on the phone later on.

P: Okay.

HMJr: Goodbye.

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4:04 P. M.

Daniel
Bell: No, I assumed he knew.

HMJr: I don't think he does. I didn't tell him.

B: Oh, really?

HMJr: Yeah.

B: Yeah. Well, I - I assumed that he knew. He didn't ask, and so I didn't tell him.

HMJr: Uh huh.

B: That's about all that happened of any importance.

HMJr: I see. Well, I have nothing. Has anybody else got anything?

B: (Talks aside: Anybody got anything? Ted Gamble. Have you got anything, Harry? With him? Is that important? Okay.) Ted Gamble wants to talk to you, I think. Don't you, Ted?

HMJr: All right.

B: All right.

Ted
Gamble: Hello, Mr. Secretary.

HMJr: Hello, Ted.

G: Why, we had a talk here following your talk this morning and I have an idea that it might not be bad to compromise on Perry Hall. I tell you the way I feel about it -- I feel that Hall has a ton of ability.

HMJr: Yeah.

G: I don't think that he has an understanding of our program - of the - I - I'm sure that he's one of those fellows that needs a little.....

HMJr: I was cut off.

G:I'm sure he's one of those fellows that needs a little training in social consciousness.....

HMJr: Yeah.

G:but I do think that he's done a swell job up there.....

HMJr: Yeah.

G:and I think that the same situation is true with this fellow, Fleek....

HMJr: Yeah.

G:but I think that the plan that we've set forth under which we can operate, that there's a protection to the State organizations to see to it that they can carry through with the program....

HMJr: Yeah.

G:and it wouldn't disturb me to have a fellow like Hall in charge of it.

HMJr: Wait a minute. I can't hear. They've got a boat going by here. Wait a minute. What's that?

G: I say it wouldn't - it wouldn't cause me any concern to work with a fellow like Hall. I - I would rather work with a fellow that has ability and a fellow that has some intelligence than I would to work with a fellow that couldn't carry out that job up there.

HMJr: Yeah.

G: I think, too, that New York is a situation where we have to -- of all the places in the country -- we have to make certain that our relations are right with the financial crowd, and if the use of Harry - Perry Hall is going to cause Allan Sproul to approach that job enthusiastically, I think maybe we ought to compromise with him on that.

HMJr: Well, I'm sorry, I can't go along with you. I mean we - we might just as.....

G: Yes.

HMJr: Perry - I mean I made my speech this morning and the...

G: Yes.

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HMJr:more I thought of it - and since then I was quiet - well, I mean, he said I was perfectly fair....

G: Yes.

HMJr:and I suggested a man just like Madden, but he didn't like Madden, and I suggested Randolph Burgess. Now, after all, if it's going to be Perry Hall or nobody else, see?.....

G: Yes.

HMJr:Well, then it gets down to their telling me whom I can take. I can't even have the veto power.

G: Yes.

HMJr: And I'm not going to do business that way, Ted.

G: Yeah. Well, I don't - I - I don't for a minute think that - in my thinking I wouldn't accept this as a precedent for letting them make the decisions for other sections of the country.

HMJr: For the whole country.

G: But.....

HMJr: I told him when we got through that if - when - I said, "When we've agreed....." - why, I was very quiet, as I first said, "And I know Madden isn't big enough." I said, "Well, what about Randolph Burgess?" And he said, "He's...."

G: Yes.

HMJr: "Now this is the Treasury", and I said, "We have to control it in the other countries."

G: Yes.

HMJr: Now, then, Perry Hall is just as good for an example as we'll find, and I said, "I wanted him; I wanted him to work for the banks and the other institutions."

G: Yes.

HMJr: And it's - it's - I can't recede now, and if - if I had been unreasonable I'd recede, but I haven't.

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G: Yes. Well, I don't think you've been unreasonable, but I did want you to know how we felt - how I personally felt about it.

HMJr: Who's we?

G: Well, I'm talking about Mr. Gaston and Mr. Bell and myself, but particularly myself. I don't - if - if - I wouldn't feel that we had agreed to do anything that....

HMJr: Well, I - if you don't mind my saying, Ted, I think that that's scared.

G: No, that's - I was afraid that you would think that and I - I - I didn't put it on that basis in my talk with Mr. Bell and Mr. Gaston and it isn't that, Mr. Secretary. I think the man has ability. There's some of these fellows that you couldn't.....

HMJr: Oh, Ted!

G:give me on a bet.

HMJr: But, Ted, if - if I want those kind of people, see....

G: Yes.

HMJr:to handle the thing, then - then all of this stuff that I've been talking about is meaningless.

G: Yes. Well, of course, it would be contingent on setting up the proper organization.

HMJr: Oh, no. There - there's no contingency left.

G: Yeah.

HMJr: There's no ground left.

G: Yeah.

HMJr: But I told this to Sproul.....

G: Yes.

HMJr:I said, "Anybody who talks to me in terms of selling wads of bonds....."

G: Yes.

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HMJr:F and G Bonds and ones of a hundred dollar denomination, that he can sell wads."

G: Yes.

HMJr: I said, "Granted he can sell wads, but I'm not here to sell wads."

G: Yes.

HMJr: "I want them to stay sold; I want the person to make up his mind and his wife that that's what they want; and I'm more interested in how they're sold than in how much and I'm not interested in selling wads."

G: Yes.

HMJr: I said, "If I want somebody to sell wads, there isn't a better man in the country to do it."

G: Yes. Well, be assured of one thing.....

HMJr: And I - and I said, "He isn't the type of man." And he said, "Why?" And he said, "I'm over him." I said, "I know, and that's all right." and I said - and then I didn't know - but if the whole thing is going to hang - and I - a thing that you don't know. He's a member of the firm of Stanley Morgan and I - I did them a great service down there in Washington when they were being unfair to them.

G: Yes.

HMJr: They can't say that - I can send for Mr. Stanley and they can't say that I'm prejudiced against them....

G: No.

HMJr:because I stood right up. Bell knows about it.

G: Yes.

HMJr: And if - you can ask Bell. Hello?

G: Yes, I'm listening.

HMJr: Well, look at Bell. He knows about it, doesn't he?

G: Yes, we talked about it this morning, as a matter of fact.

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HMJr: You can't say I'm prejudiced against them.

G: Yes.

HMJr: I asked what's-his-name - Sproul - whether at any time during the nine-and-a-half years while he had been there - have I ever - when they have needed our money desperately to keep themselves going, have I ever used that to an advantage? They said, "No". I said, "Have I ever played politics in the nine-and-a-half years?" He said, "No". I said, "Why, in God's name should you think I'd start now?"

G: Yeah.

HMJr: No, I - I'm upset now, because you've really upset me.

G: Well, I didn't - I - I - quite the opposite of the impression that you've gotten is true, Mr. Secretary. The thing I want you to know is that I'm not afraid to take the fellow and I - I agree....

HMJr: I am.

G: Well, then I go along with you, if you are.

HMJr: I am.

G: But I don't want you to get the impression that this is any weakening on our part to carry forward the kind of a program you want.

HMJr: I - I - I don't know - I don't know what's come over you fellows down there.

G: Yeah. Well, that is not.....

HMJr: I mean - if - if we're going to take the Perry Hall....

G: Yeah.

HMJr:and - and have a man like him say, "I don't want Ted Gamble in Washington....."

G: Yes.

HMJr: ".....and I insist on having Perry Hall in New York."

G: Yes.

HMJr: Then there's no place for Morgenthau.

G: Yes. Yeah. Well, I - I have felt all along, Mr. Secretary, that we had a problem in two sections of the country. One in.....

HMJr: There's no place.....

G:Cleveland....

HMJr: There's no place for Morgenthau and what he stands for.

G: Yeah.

HMJr: And I might just as well have it out with the financial community.....

G: Yeah.

HMJr:tomorrow. I might just as well have it out with them.

G: Well, we're completely in your corner. You can be sure of that.

HMJr: Well, by God, you'd better be!

G: (Laughs) I see.

HMJr: I don't know what's the matter with you fellows down there. Good God! I haven't begun to fight yet.

G: Well, we're all for you. The thing that I wanted to get across to you.....

HMJr: Let me - let me talk to Gaston. What the hell's the matter with Gaston?

G: All right, sir. Just a minute.

Herbert
Gaston: Hello.

HMJr: What's the matter with you, Herbert?

G: Well, I - I thought that you ought to know that Ted felt that he could get along with this fellow - with this fellow, if we had to. If it comes to a point - if you got to a point of trading with - with what's-his-name - Sprcul - that you wouldn't feel that you were selling us or him out - if you - if you accepted it.

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HMJr: Selling who out?

G: What?

HMJr: Selling who out?

G: Well, the - the people down here. That is, that you weren't creating an impossible situation.....

HMJr: That doesn't create.....

G:if you were to do it.

HMJr:I mean - Sproul got himself now in an impossible situation.

G: Yeah.

HMJr: He's going to tell me that the Federal Reserve won't go along because I won't take Perry Hall. Well, I - he's - he's got himself now in a beautiful position.

G: Uh huh. Yeah. Well, he probably won't tell you that. He'll probably come around tomorrow and say that, "All right, if you feel that way, we'll - we'll get somebody else."

HMJr: God, I get out of town one - one day and you fellows all go to pieces down there.

G: Oh, I don't think we've quite gone to pieces yet.

HMJr: Well, good God! I mean, how can we ever have a - have a man - how can we ever decide this thing on a better symbol than Perry Hall.

G: Well, I just don't know enough about Perry Hall. You know.....

HMJr: I take it what you fellows are trying to do is trying to be - to help me.

G: Yes.

HMJr: I mean.....

G: Yes.

HMJr: But - if we want to take the Perry Hall - see?.....

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G: Yeah.

HMJr:and make him number one, then I - then I -
I might just as well.....

G: Yeah.

HMJr:step out of the picture.

G: Well, if - that was the only thing I feared about,
that it might be a precedent in other cases.

HMJr: Well, it - it is, because I told Allan Sproul, "I
haven't got the strength....."

G: Yeah.

HMJr: ".....or the time or the inclination....."

G: Yeah.

HMJr: ".....to sell this thing to eleven other bank
presidents."

G: Yeah.

HMJr: And I said, "When you and I get together, you've
got to sell the other eleven."

G: Yeah.

HMJr: "I'm not going to."

G: Yeah. Yeah. Yeah.

HMJr: Now, he's - and he's got himself now jockeyed into
the position.....

G: Yeah.

HMJr:where this thing is going to be settled on one
man.

G: Yeah. Yeah.

HMJr: And I'm saying that I want this man to help, but I
don't want him to be number two af... - after Sproul.

G: Yeah. Yeah. Yeah. Yeah.

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HMJr: Now, I don't know how much that - that Perry Hall is - my not taking Perry Hall, but it's Perry Hall versus Randolph Burgess.

G: Yeah. Yeah. Would Randolph take it?

HMJr: I don't know, and I'm going to ask him.

G: Yeah. Yeah. Well....

HMJr: Because - I mean - I think I'm sitting very pretty, and I think those fellows, whoever he's going to consult, are - are sitting in an impossible position.

G: Yeah. Yeah. Yeah.

HMJr: I mean - I'd like to know why you fellows changed. I don't get it, Ted, but I swear I don't.

G: Well, the only idea was that - that if you found that a more comfortable way to get out of this situation, why, every - everybody down here would go along with you on it.

HMJr: Yeah, but - but look, Herbert, it isn't a question of my being comfortable.

G: Yes.

HMJr: Let's say that Perry Hall is the best security salesman in the United States. See?

G: Yes.

HMJr: Let's say he's that.

G: Yeah.

HMJr: And then we say "period."

G: Yes.

HMJr: Do I want a man who is the best high-pressure security salesman of Stanley Morgan to be sales director for New York?

G: Yeah. Yeah. Yeah. Well, of course, if you had him, you'd have to bolster him with people who had a broader interest than that.

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HMJr: Oh, but you can't bolster a fellow like that. He's....

G: Uh huh.

HMJr:he's a high-powered fellow.

G: Yeah. Yeah.

HMJr: And you - and - he's a man who'd walk into my office and say, "Mr. Morgenthau, on F and G there's going to be a hundred dollar bond and not a five hundred dollar bond, and you're going to like it....."

G: Oh. Uh huh. Uh huh.

HMJr: "....because if you don't I'll resign and my organization resigns with me."

G: No. Did he say that?

HMJr: No, but he will, and you can put it in writing, and that's what he'll say when he's in charge.

G: Uh huh. Uh huh. Well, of course, you couldn't take anything like that.

HMJr: You see, I wish you people would all get out Eccles' memorandum for March 1, see?.....

G: Yeah. I.....

HMJr:and that memorandum dated March 1 is identical with the memorandum that they came back with and gave me in the afternoon - Friday afternoon.

G: Uh huh. Uh huh.

HMJr: And this thing - I told that to Sproul. I'm talking much more forcefully with you now than I talked with him.

G: Yeah.

HMJr: In other words, this thing was decided about March 1 by Eccles and whoever he consulted with, and they haven't changed one iota.

G: Yeah. Yeah.

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HMJr: And that was what they thought they wanted to do then and then they come in and that's what they want to do now.

G: Yeah. Yeah.

HMJr: And this thing - it's - it's - we might just as well settle if they want the Perry Hall and the United States. Nice fellows, good American citizens.....

G: Yeah. Yeah.

HMJr:all granted, and their sons go to war. Just as what's-his-name said....

G: Yeah.

HMJr:but there's no place for me in the picture.

G: Well, those - that type of men, of course, are one-arm men so far as this work is concerned.

HMJr: They're single-track men.

G: Yeah. Yeah.

HMJr: I mean their whole ?

G: Yeah. Yeah.

HMJr: I mean....

G: Yeah.

HMJr:and there's no place - I mean - there's a place for them....

G: Yeah.

HMJr:down the line, but not in charge of the District.

G: Yeah. Well.....

HMJr: And it isn't making it any easier for me - I might just - I - all I could do is simply say, to Sproul, "Okay, Sproul, you select him and I won't even have the veto power."

G: Yeah. Well....

HMJr: The impertinence of the people trying to tell me
(Cont'd.)

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HMJr:
(Cont'd.)

G: who I can have in Washington.

G: Uh huh. Yeah. Yeah.

HMJr: I mean the next step is they'll say I'm not good enough.

G: Yeah. Yeah. Well, of course, that - that - that suggestion about.....

HMJr: And that's what they've been saying for ten years.

G: Well, of course, that suggestion which was the first thing that Eccles said the other day about - about the Washington end of it, of course, that - that looked awfully bad for any agreement.

HMJr: But, I mean - get out the March 1st agreement.

G: Yeah.

HMJr: It wasn't an agreement - his

G: His memo.

HMJr:his finance memorandum. I never asked for it.

G: Yeah. Yeah. Yeah.

HMJr: Look, Herbert.....

G: Yeah. What?

HMJr:this thing to me - I've had plenty - it's as clear as crystal.

G: Yeah.

HMJr: These boys want to run this show, and this thing might just as well be settled in the next couple of days.

G: Yeah. Yeah.

HMJr: Now, I want Bell to listen to this particularly. I had Walter Stewart for supper; I gave him the unvarnished truth; didn't pull my punches on myself on bit....

G: Yeah.

HMJr:gave him the whole picture.....

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G: Yeah.

HMJr:about my wanting to select them instead of - the whole business - all of everything that I had said - I mean - I - I made it as unfriendly to myself as possible.

G: Yeah.

HMJr: When I got all through and done, Walter Stewart said to me, "Henry, on your wanting the initiative as to whom to select, brother," he said, "you're absolutely right."

G: Yeah. Yeah.

HMJr: He said, "You've got to have that."

G: Yeah. Yeah. Yeah.

HMJr: He's the first economist of the Federal Reserve; he's been with the Bank of England; he's got that whole background.

G: Yes. Yes.

HMJr: He knows all about the fight between the Treasury and Walter Strong.....

G: Yes.

HMJr:of the Federal Reserve.

G: Yes.

HMJr: And he's - when I got all through he said, "You're absolutely right."

G: Yeah. Yeah.

HMJr: He said, "Maybe the way you did it wasn't the best way, but after what you talked about", he said, "it makes sense."

G: Yeah. Uh huh. Yeah.

HMJr: And I'm having Leffingwell here at 5:30.

G: Uh huh. Well, that's good.

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HMJr: And - of J. P. Morgan.

G: Yeah.

HMJr: Now, I - I mean - I'm - I'm - as I say, I suppose you fellows want to help me.

G: Well, that's right and - and I don't think anybody's losing his nerve at all.

HMJr: Well, I - I - if you don't mind - I - I think you - when - if Ted was speaking for you and Bell, I think you fellows - well, I - if you don't mind, I don't think your advice is very good.

G: Uh huh. Well, you've....

HMJr: No feelings hurt, but.....

G: Uh huh.

HMJr:but - because, number one, this is - this is a decision that's got to be made. It's like - said the husband and wife on the first night, except it's coming now ten years afterwards.

G: Yeah.

HMJr: And I had it once with Owen D. Young and George Harris.....

G: Yeah.

HMJr:and now I've got it again.

G: Yeah. Yeah.

HMJr: And I'm now - Sproul has gotten himself into an impossible position.

G: Well, I - I think as to the first end of his proposition it's - it's particularly an impossible situation. Well, of course, anyway, on - even on their own proposition, they - you - they were willing to freely concede you the veto power, and if they're - if they're willing to concede that, why it's - it's a veto power or not a veto power.

HMJr: Well, now they're not - they're not - they're not willing to concede me anything. They're going to
(Cont'd.)

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HMJr: pick the man, and I take it and I like it.
(Cont'd.)

G: Uh huh. Well, I - that's what I was saying - I mean - they're - his - if he is not willing to yield on Perry Hall, he's not making good on their own suggestion.

HMJr: That's right.

G: Yeah. That's - that's true enough.

HMJr: Am I crazy? If you fellows are - are you- you fellows all think I'm crazy?

G: Let me ask you this. (Laughs) No, I don't think you're crazy.

HMJr: Let me talk to Bell again. What?

G: Here's - here's Dan. Yeah.

HMJr: Wait a minute, Herbert.

G: Yeah.

HMJr: Am I crazy up here?

G: Are you crazy?

HMJr: Yes.

G: No, I don't think you're crazy.

HMJr: Well, am I unreasonable?

G: Well, you - no, I just - it was just a question that if you - if you felt that in order to make peace you were willing to sacrifice that much, why, Ted said that he'd be willing to go along and do the best he could with this fellow and - and he thought that with proper safeguards the thing could be operated.

HMJr: Well, Ted doesn't know me. That's - then he just doesn't know me.

G: And.....

HMJr: He's never seen me in a fight.

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G:and I thought that word ought to be gotten to you.

HMJr: Ted's never seen me.....

G: Uh huh.

HMJr:I mean - he should have - he - he's just never seen me - like that Executive Order on the alien property.

G: Yeah.

HMJr: He's never seen me in a fight.

G: Yeah. Yeah.

HMJr: And, you'll never find - what Ted's suggesting, out of the goodness of his heart, is that I just give up.

G: Well, it would be sacrificing a good deal.

HMJr: Why, he - he nor Bell nor I are powerful enough once these boys are in those positions to control them.

G: Yeah. Yeah. Yeah. Yeah. Yeah.

HMJr: I mean that they'll - they'll "yes" them and then there comes a day when they say, "Now listen, Treasury, you do it this way and like it." And I'm not going to wait for that day.

G: Yeah. Yeah.

HMJr: We might just as well do it now and have three months ready - time to get ready.

G: Yeah. Yeah. Yeah.

HMJr: And, according to Stewart, these kind of fights have been going on long before I was in the Treasury.

G: Well, I - no doubt, they have.

HMJr: Let - let me talk to Bell a minute.

G: Yeah.

Daniel
Bell: Bell.

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HMJr: Bell?

B: Yes, sir.

HMJr: Did you want me to give in and accept Perry Hall?

B: Well, I probably feel a little different than anybody else around here on this thing, and Ted made up his own mind on it that he could work with him and I thought that it was a good thing, because I think Perry Hall is a good man and he ought to be kept in the situation.

HMJr: So do I.

B: You - you say Dr. Burgess - well, Dr. Burgess is a good man and a better man probably than Perry Hall in some ways, but he can't compare to Perry Hall when it comes to being a sparkplug, and that was the reason that I said that I thought it might be a good thing to tell you of Ted's reaction, and if you wanted to compromise some, that it might be a good thing for you to even tell Allan that Ted suggested it, which shows he's a pretty reasonable fellow....

HMJr: Oh.

B:but if you feel so strongly about it - toward Perry - why, then, there's nothing to do but stick to your ground.

HMJr: I don't - I don't - he's just a symbol.

B: Well....

HMJr: He's just a symbol, and.....

B: He's an awful good man.

HMJr: If they come in tomorrow, then it means that they don't want me to have the veto power; they don't want me even to have the suggestion; they don't want me to have any power.

B: Well, I - (laughs) - we're having a hard time. You see, I think there's got to be some give and take on both sides if you want to get together. If you don't want to get together.....

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HMJr: Oh, my God! I - I - I can't - it's - it's very plain. On the ve... - supposing I said, "All right, you have the ve... - I have the veto power. I don't want Perry Hall." Then he comes back and he says, "It's got to be Perry Hall."

B: Well, uh huh.

HMJr: See? That's what it amounts to.

B: Well, I - I think you're in the same position either side, whether you pick him or whether you veto him.

HMJr: That's what I've found out, and I - I.....

B: Sure.

HMJr:spoke ?

B: Well, I - I thought that last Friday, that it was the same either way if you exercised your veto power.

HMJr: Well....

B: And.....

HMJr:but now it turns out that they don't even want that and they want to tell me that I - I said to him - I picked this up from Walter Stewart - I said, "When they - in Eccles memorandum they say Eccles and another Federal Reserve Board sit on my Policy Board on War Bonds." I told that to Stewart and Stewart said to me it'd be just as reasonable for me to say I want to pick three directors of the New York Federal Reserve Bank, because they're my fiscal agents and I should have something to say who sits on that Board.

B: Hmm.

HMJr: He said that would be just as reasonable. And as a matter of fact, he said, "You should have somebody there."

B: (Laughs)

HMJr: He said, "You haven't got one man on the Federal Reserve Board"-- he went over them all -- "who is in sympathy with the Treasury."

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B: Well, that's right.

HMJr: And he said, "You're entitled, even if you're not allowed to pick them, to have somebody who'd be in sympathy on a job as important as the Federal Reserve Board in New York."

B: At least, we ought to have a decent chairman. (Laughs)

HMJr: And he said, "There isn't a single man there", he said, "Henry, that you could count on."

B: Well, that's - that's probably right.

HMJr: Oh, he's talking sense.

B: Bill Morris is on the Board. You can count on him.

HMJr: Well, I know, but.....

B: He's right in gen... - general about it.

HMJr: He said, "It's just as reasonable to say that you want to pick three members of that Board."

B: Hmm.

HMJr: Now Walter is no fool. Nobody could - somebody may not agree with him, but he's nobody's fool.

B: That's right. He isn't - he's.....

HMJr: And - and....

B:a brilliant fellow.

HMJr:and Walter has always advised me as to what is in my personal interest.

B: Well, I think that's right. He's always been a good advisor.

HMJr: And he went all over those Board members of New York, and he said, "There isn't a man that you can count on." He didn't call Meyers because Meyers hasn't been there long enough.

B: Yeah.

HMJr: And he said Meyers has no influence anyway.

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B: Well, we're just trying to be helpful, that's all.
(Laughs)

HMJr: Well....

B: We're - maybe we weren't.

HMJr: What?

B: Maybe we weren't.

HMJr: No, but I - I - I just think that this thing has gotten now to a point that - well, I - I just want to - if he turns me down tomorrow, then - then we've saved a lot of breath and a lot of time and we know where we're at.

B: Yeah. Well, I think if he does that then we've got to work out something else.

HMJr: We will.

B: Al Williams was in yesterday and talking a little about it. He said that to him that whatever way we went it meant that the Federal Reserve had to get behind the Treasury's program. He said, "If you go to a State basis and have your own organization and your own man in each State and leave the Federal out of these drives," then he said, "the Federal has got to get behind those State people and help them anyhow."

HMJr: Say, listen....

B: He said, "That's the way I feel about it."

HMJr: From these other people that I've talked to, if - if the Federal Reserve takes this position on Perry Hall here.....

B: Yeah.

HMJr:and I go to the public on it, and I go to Congress on it, if I'm pushed - if they push me - why, God damn it, they put themselves in an impossible position. And I kept repeating over and over this morning to what's-his-name.....

B: Allan.

HMJr:that we're going to get together - we're going to get together.

B: Uh huh.

HMJr: He goes out of the room and says I'm fair and I'm square and I put all my cards on the table. I haven't played politics; I haven't taken advantage of the Federal Reserve System when it was broke to do a single thing that forced them into a single position. So what the hell!

B: Well, I - I think you've been fair too.

HMJr: They haven't got a single criticism of - of my administration of the Treasury or my relationship with them. I mean - I've asked them now to give me a single criticism, and they haven't.....

B: Yeah. Well, I think that's right.

HMJr:other than these petty ones, that you and I aren't - aren't any salesmen.

B: Yeah.

HMJr: Well....

B: (Laughs) As far as I'm concerned, it's true. And it isn't so far as you're concerned, but I'm out of that class.

HMJr: Well - well, I am - I claim I am a salesman because I stay in sympathy with the people, and that - to that extent I am a salesman."

B: Yeah.

HMJr: So do you. Well, we'll see.

B: Well....

HMJr: Is White there?

B: Who?

HMJr: White.

B: Yeah. (Talks aside: Harry.)

Harry
White: Hello.

HMJr: White?

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W: Yes, sir.

HMJr: Have you been listening?

W: Well, it's - the loud-speaker hasn't been working, so I've got what I could out of the one-sided conversation, but I think I've got....

HMJr: Oh, hasn't....

W:some picture of it.

HMJr:the loud-speaker been working?

W: No, it doesn't - we've done everything we could to it, except burn it up.

HMJr: Why don't you kick it?

W: We've tried that.

HMJr: Well....

W: But I've got some grasp of what apparently is the problem.

HMJr: Well, I mean - it's down now as to whether Mr. Sproul is going to tell me tomorrow whether he's agreeable not to have this fellow Perry Hall.

W: Well, I don't - I don't know anything - I don't know this fellow at all, but let me ask this question. Is the success of the drive, in your opinion, dependent upon his being in it? I mean - is he so outstanding?

HMJr: No.

W: Can - can somebody else be obtained?

HMJr: Oh, sure.

W: Well, then I really don't see what.....

HMJr: It's just that he - he's just the symbol in this case.

W: Yeah. Well, I mean, if you feel you can get somebody as good, why, on general principles, I'd take somebody else.

- HMJr: And so the point is, they're not only now seemingly saying to me I can't pick the fellow, but they're also saying to me I can't have the veto power.
- W: No. No, I really don't see room for difference of opinion, with this important proviso which I know nothing about. I mean the extent to which his presence is essential to the success.
- HMJr: Oh, Harry, you wouldn't know - nobody.....
- W: I shouldn't think so, but I don't know just what the situation is.
- HMJr: The good people.....
- W: Well.....
- HMJr:took care of that.
- W: (Laughs) Well, I - from what I've heard -- and to me, the problem seems simple, maybe I'm over-simplifying it -- I - there wouldn't be any question about my position in the matter. I'd just tell him "No, I don't like the way his ears are shaped."
- HMJr: Well, I don't have to say that. I just.....
- W: No, but I mean that's what - what it amounts to....
- HMJr: Well.....
- W:if you've got somebody else in mind. Now, if you haven't got anybody else in mind, now, that's a horse from a different stable.
- HMJr: Oh, there're plenty of people. New York is full of those kind of people.
- W: Yeah. Well, if that's the case, then I - I don't think I'd give in. I don't.....
- HMJr: Well.....
- W: ...I don't see on what basis they make that condition. I mean - I don't - I fail to understand why they should say, "If you take such-and-such a man, we'll cooperate with you; if you don't take such-and-such a man, we don't know." I mean that's a very strange position for them to take, if there are other men who can do the job.

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HMJr: Oh, sure. Let me talk again to Gamble.

W: Yeah. Wait, Herbert would like to say a word to you before you talk to Ted.

HMJr: Oh.

Herbert Gaston: I want to make my position a little clearer....

HMJr: Yeah.

G: Of course, if - if Sproul should come back to you tomorrow and say, "I won't go along. I won't have any part in this organization unless you take Perry Hall...."

HMJr: Yeah.

G:why, of course, there's only one answer you could possibly make....

HMJr: Yeah.

G:"Your proposition is rejected. I will not take Perry Hall."

HMJr: Yeah.

G: And there's - there's no question about that, and I never had any - any other idea. My only thought in connection with it was that if - if he said, "Well, I'm willing to go along with you and I'm going to work with you in any event, but please let me have Perry Hall," that might put a different aspect on it and you might want to consider it....

HMJr: Yeah.

G:and depending on what you know and feel about Perry Hall, and I don't know very much about him. But certainly if he puts it up to you cold, "I've got to have Perry Hall or I won't go along," you just can't accept.

HMJr: Yeah. Well, that's what I meant.

G: Yeah. Well, that's - that's - I agree with you wholeheartedly on that. You just can't let them face you down.

HMJr: Perry Hall becomes a symbol for the whole thing.

G: What?

HMJr: He becomes a symbol.

G: Oh, of course, if he - he - lays down an ultimatum to you why, of course, you've got to - you've got to turn him down.

HMJr: Well, look. I wish everybody in the room would read Eccles memorandum of March 1st.....

G: Yes.

HMJr: ...and you'll see that they haven't moved away from that memorandum one inch.

G: Yeah. Uh huh.

HMJr: They're sticking by that memorandum of March 1st.

G: Yeah. Yeah.

HMJr: Everybody in the room should read that.

G: Yeah. Yeah. Well, we'll get it out right away.

HMJr: And you'll see that - that they're absolutely adhering to that memorandum.

G: Yes.

HMJr: And in that memorandum they give me my orders what I can do.

G: Yeah. Yeah. Did you want to talk to anybody else? John Sullivan is here and Ted and....

HMJr: No, I just want to - I want John to get the benefit.

G: Yes.

HMJr: Hello.

G: Yes.

HMJr: Let me just talk to Ted a minute.

G: To Ted, yes.

Ted
Gamble: Hello.

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HMJr: Ted?

G: Yes, sir.

HMJr: I told you when I asked you to head this thing up....

G: Yes, sir.

HMJr: ...I'd give you an organization whereby you could be happy....

G: Right.

HMJr: ...and, by God, (laughs) I'm not going to give you any other kind unless you can be happy.

G: Well, I think we're one hundred percent with you, Mr. Secretary.

HMJr: You've got to leave it to the old man's....

G: I think Mr. Gaston put it very well....

HMJr:opinion.

G:just now....

HMJr:for what - under what conditions you can - you can function.

G: Yes, sir.

HMJr: Now you can't function under certain conditions.

G: Yes.

HMJr: Neither can I, and I'm not going to let you.

G: Yes. Well, I think there's one thing you ought to know, that I may be lacking a little bit in brains, but I sure as hell am not lacking in fortitude.

HMJr: Well....

G: And.....

HMJr: ...I wouldn't have picked you if I thought you did.

G: (Laughs) And....

HMJr: I want one a hundred - a yard wide and all square.

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G: (Laughs) Well, you....

HMJr: If you're trying to help me, I don't - I don't need that kind of help.

G: Well, it was - it was only being passed on to you, Mr. Secretary, that....

HMJr: No, no. You - you - I've got to give you a kind of an organization under which you can be happy....

G: That's right.

HMJr:and you can't be with the - Perry Hall.

G: Yes, yes. Well, I think Mr. Gaston summed it up pretty well as to what our reaction was.

HMJr: Okay.

G: All right, sir.

HMJr: Now is John there?

G: Yes. Just a moment. Say, I might tell you before he gets on the phone that they did a swell job on this newspaper ad, the ad that Smith suggested.

HMJr: Newspaper ad?

G: A newspaper ad is going out to all the papers in the country with a condensation of this pamphlet.

HMJr: Well, send it up to me air mail through Miss Chauncey tonight, so I'll know what you're talking about.

G: Well, we can't do that. I can send it to you so you can have it Sunday, because it's in production and it's in Chicago. We sent it to Chicago an hour ago.

HMJr: An ad?

G: An ad. It's very good.

HMJr: I don't know anything about it.

G: Well, I thought Smith had talked to you about it because his....

HMJr: He's coming to have supper with me tonight.

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G: Well, he'll tell you all about it, because I read it to him over the phone.

HMJr: Well, he's coming to have supper.

G: Sir?

HMJr: Who's paying for the ad?

G: It's to be a sponsored ad. It's a report to the people of the nation.

HMJr: Oh, really?

G: It's very good.

HMJr: I - I - it's the first I've heard.

G: Well, Smith sent a wire down on it the day before yesterday, and I assumed from the wire that it was something that he had discussed with you.

HMJr: No.

G: But Mr. Gaston has gone over it and checked it, and it-it's very good. They did a very good job on it.

HMJr: Good.

G: And it was our understanding that you wanted it. That's why we moved so damned fast. (Laughs)

HMJr: Well, the more I see of Smith, the more confidence I have.

G: Yes. Well, he'll tell you all about it at dinner. I read it to him over the phone this afternoon.

HMJr: Okay.

G: Just a moment. Here's Mr. Sullivan.

HMJr: Hello.

John Sullivan: Yes, Mr. Secretary.

HMJr: John, could you hear any of this?

S: Yes, sir.

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HMJr: You got - have you got any advice to give me?

S: No, I don't think I have. These fellows have been in on all of these things and I haven't. You recall when this first came up you asked me what I felt, and I said I felt that turning it over to the Federal Reserve was a mistake, but that if you were going to do it, you were going to have a difficult time not giving them the personnel they wanted. It sort of - it sounded as though it was working out in that direction. Now, I don't know Perry Hall. While you were talking - and I - and I inquired, and I understood he was with Morgan Stanley.

HMJr: That's right.

S: Well, that - that doesn't ring a sympathetic bell in my mind and I don't think it would with the American people, but I think the way it was last described to you is that - that is, if it is put up as an ultimatum, why, that's the end of it, and the whole thing should be reviewed de novo.

HMJr: If it is Morgan Stanley.....

S: Yeah.

HMJr:and I don't think it'll set very well with the American people.

S: No, it - it certainly isn't in harmony with the - with the whole program.

HMJr: Nope. Okay, and we'll see tomorrow what happens.

S: Good luck today.

HMJr: All right.

S: Fine. Good luck tomorrow.

HMJr: Thank you. Can I have the operator, please.

S: Yes. Operator. Operator.

Operator: Hello. Yes, sir.

HMJr: Miss Carre?

Operator: Yes, sir.

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 21, 1943

CABINET MEETING

The President said that he had nothing except to report that he just had a very nice lunch with Winston Churchill and said that he jokingly told Mr. Churchill that he was responsible for speeches such as Happy Chandler was making. Churchill could not understand and wanted to know how come. He said when he was over here before he made a speech before the Congress that the Allies were prepared to prosecute the war against Germany to the end and then they would all pitch in and help on Japan, but he also said there might be some partial demobilization.

The President then discussed the method of attacking Japan, as he has on several other occasions, and said that people like Chandler seemed to think that we could attack Japan island by island, not realizing that it would take an awful lot of soldiers to police each island that they took back from Japan.

Mr. Hull had nothing to report.

The President asked me what I had in mind on the tax situation, because I had called him just before lunch for an appointment for Jimmie Byrnes, Randolph Paul, and myself to see him on a situation that had developed on the Hill. I told him that Mr. Paul had reported that the conference committee had met all morning and after some heated discussions the question was raised as to whether or not they could find out just about the kind of bill the President would be willing to sign without publicly commenting on its contents. It was indicated that George and Doughton would be asked to see the President on this matter and I told him that I was anxious that before he saw



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then he get the story from Mr. Paul and decide after hearing the story what course of action we should follow. I told him Mr. Paul had discussed the matter with Mr. Byrnes and maybe he would like to make some comments. I said I thought it was a matter to decide whether he would accept the House bill, the Ways and Means Committee bill or some variation of it, or if he would go so far as to accept some modification of the George proposal of 75% cancellation.

I told him that he would be in a much better position as regards a future tax program if he would accept the Ways and Means Committee bill or the House bill because there is a feeling on the Hill that if we get additional revenue out of a partial cancellation scheme during the coming fiscal year, then there may not be any need for a tax bill. On the other hand, I said, I thought he might want to consider the matter of being free to comment on any bill that is passed.

The President seemed astounded that there was some thought on the Hill that the Congress could get by without an additional tax bill if they provided additional revenue through partial payments of the 1942 tax liability. I told him I thought that was definitely in the mind of some, and furthermore, I did not think Congress would begin to discuss a tax bill until September 1.

He said he just could not believe that that was the case. He said that the fact that we have asked for 16 billion of additional dollars and Congress feels it can get by with 1-1/2 billion to 2 billion of additional revenue amazes him. He said that would make the Treasury's borrowing program a very serious matter. I told him that if we did not get additional revenue the Treasury would have to borrow in the neighborhood of \$75,000,000,000 during the fiscal year 1944. He said that was entirely too much for us to have to borrow for a war program.

Jimmie Byrnes said he agreed with what I said about the situation and he would like to raise the question as to whether the President should see him,

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Paul and myself before he sees George and Doughton, or after. It might be better for the President not to see us, but when he sees George and Doughton tell them he has not followed the tax bill closely and he would like to think about the proposition they have put up to him for a while and then he will call them on the telephone. After that he might discuss the matter with us and decide what course to pursue.

After this discussion I asked the President what course he would like the Treasury to follow. He said, "I think we should just let the situation develop and when I am approached on the subject I will decide then whether I should see you gentlemen first or George and Doughton first."

Mr. Stimson said that he was a little embarrassed to read in a newspaper column a few days ago that the President's Cabinet was decadent and that no important matters were discussed at the Cabinet table; that in particular the Secretary of War and the Secretary of Navy felt they could not bring highly confidential matters to the Cabinet because of the fear of a leak. He said with that in mind he dug out of his file a highly confidential letter covering a very important subject which he had sent to his colleague, Secretary Knox, a month or so ago and which he understands had been in turn sent by Secretary Knox with proper comments to the President for consideration and decision. He said this important subject was the matter of the football game between the Army and Navy next Fall. From there on there was quite a discussion of the matter of banning all sports, particularly intercollegiate football games, and the matter of using gas to go to such events, including racing and other sports.

Mr. Ickes said that two pipe lines had gone out in the last few days -- one 24-inch in Oklahoma and another 16-inch in Illinois -- caused by the floods; that the gasoline situation is worse than at any time

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since we started rationing, and it is absolutely necessary that pleasure driving be banned.

This whole subject of sporting events and the effect on the morale of the American people was discussed for at least twenty minutes. The President finally ended it by saying that he would have to get a formula that would apply to the whole country equally.

Mr. Stimson said that in view of this extended discussion he was sure every one would agree that the subject he had brought up was of first importance.

Mr. Biddle had nothing.

Mr. Knox brought up the question of publication of sinkings of U-boats. He said he thought we had an agreement with the British that we would not publish any information on the sinking of U-boats and that the Navy had pretty well lived up to the agreement but that the British seemed to be continually talking about the sinkings. The President said yes, he had noticed that and he thought it was unfortunate that they had as he was convinced more than ever that we should not give out this information.

The President asked Secretary Knox if he knew the story back of the death of Yamamoto and said if it was not confidential he might tell the Cabinet about it. ~~He said he had the story today to give them.~~ Mr. Knox said he did not have any story other than that Yamamoto was in one of a group of planes which had encountered our fliers and they shot it down and he was killed in the crash.

The President said that was not the way he understood it. He understood that our men had information that this gentleman was moving from the island where he was stationed to another island and they sent out a number of planes to attack him. They found that his ship was identified in some way as the flagship and they concentrated their attack on him and shot him down.

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Mr. Knox said that he had reported yesterday about news being received to the effect that one of our submarines had sunk a Japanese sloop. He did not know just what this meant but just before he came to Cabinet this was clarified by further dispatch. It seems that one of our subs had sunk a 17,000 ton troop ship with all on board.

Mr. Ickes had nothing.

Mr. Wickard reported that the Farm Credit Administration was receiving payments on account of its past loans at the rate of 4-1/2 times the volume of loans being made at the present time. Also, that the Farm Security Administration had received repayments on its loans up to about 80%. In other words, out of \$300,000,000 loaned, only about \$60,000,000 remains unpaid.

The President said that he had noticed an article in today's Wall Street Journal to the effect that some man in Indiana claimed that the Agriculture Department required him to kill, back in 1933, 150 small pigs. This policy on the part of the Department of Agriculture, the story stated, was responsible for a shortage of meat today. The President said he would like to have this story run down to see if there is any truth in it.

Mr. Jones had nothing.

Miss Perkins asked the President if he had seen Sir William Beveridge and he said he had seen him this morning. She wanted to know if he had discussed the British plan. The President said no, he had not but he had suggested that in his contemplated trip he ought to add the South. Miss Perkins said that it was important that very shortly she have a conference with him and others on the American plan and send it up to Congress to try to get action on it this session.

Messrs. McNutt, Fleming, Blandford, Byrnes and Nelson had nothing.

Vice President Wallace said that in their dealings with Mexico on economic problems they are constantly

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being confronted with some previous commitments that were supposed to have been made between the President and President Comacho of Mexico. The President said he had made no commitments of any character on the economic front with the President of Mexico.

sub

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 21, 1943

TO Secretary Morgenthau
FROM Mr. Odegard

A recent Gallup Poll has uncovered some interesting facts about the potentialities for expansion of the Payroll Savings Plan.

(1) 52% of wage earners would be willing to have 15% of their pay deducted for War Bonds.

(2) Even in the lower income groups, 49% of those interviewed would be willing to have 15% deducted. In the upper and middle income groups, 54% are favorable.

(3) Workers who have already become accustomed to having part of their wages deducted for bonds are more likely to favor the idea of larger deductions. For example, among those who already have less than 15% deducted from their wages, a substantial number (55 per cent) say they are in favor of going as high as 15%.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

May 21, 1943.

PERSONAL AND CONFIDENTIAL

Dear Henry:

Because you took exception to a letter you had received from Allan Sproul dated May 3, I asked him to send me a copy. He did so and at the same time sent me a copy of his letter to you of May 12 in response to your request over the telephone for his ideas on the way he felt the organization should be set up for future financing drives.

I have gone over both of these letters carefully and I think they are excellent -- direct, clear, courteous and most constructive. They are entirely objective. There is nothing personal in them. They are just the sort of frank and constructive comments I should think you would want to have. I am in full agreement with practically everything he has to say and every suggestion he makes.

I cannot understand why they should have created such an unfavorable reaction on your part. Knowing Allan Sproul as I do and as you should after your long association with him, I should think these letters would serve only to increase your confidence in him and in his judgment. I can only conclude that you have wholly misunderstood him.

Sincerely yours,

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

3 June 1943 145

GENERAL MOTORS CORPORATION
DETROIT, MICHIGAN

May 21, 1943

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

My dear Mr. Secretary:

I received your letter of May 18th and I was sorry that it was impossible for me to stay over to meet you the next day, but it was necessary for me to attend a General Motors meeting in New York which had been scheduled for some time, and the part I had to play in the meeting made it quite necessary for me to be there.

I will be in Washington on June 1st and 2nd and I am asking Mr. Bathrick to see whether or not we can make an appointment with you for either the 1st or 2nd, as I am very much interested to talk with you about the forward organization and the reactions that I picked up in Detroit since I last saw you.

Sincerely yours,

R. H. Grant *R. H. Grant*

vm

*Called Bathrick who will
give Grant the
3 P M June 1 information*

E J F.

5/25/43 4:00 pm

THE BORDEN COMPANY

350 MADISON AVENUE

NEW YORK



DORE G. MONTAGUE
PRESIDENT

May 21, 1943

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

Dear Mr. Morgenthau:

I was indeed very happy to receive your letter of May 18 advising me of the good work Stuart Peabody did for the Treasury Department in connection with the Second War Loan Drive.

Mr. Peabody has told me that he thoroughly enjoyed the work assigned to him and derived much pleasure from it.

The Borden Company has been called upon to provide the assistance of several of its people to aid in the war effort, and we are all proud of the opportunity which has been given to us to do our part.

I want you to know how much I appreciate your letter, and by all means please feel free to call on Stuart for advice when the occasion arises.

Sincerely,

Shadon G. Montague
President

MAY 21 1943

Mr. E. F. Bartelt,
Commissioner of Accounts of The Treasury,
Washington, D. C.

Dear Mr. Bartelt:

Reference is made to the comment in your recent report on the War Bonds Office of the Chief of Finance in Chicago, Illinois, to the effect that you were unable to obtain any information as to what protection is provided for that building in the way of anti-aircraft guns.

This is not surprising inasmuch as such information is secret. I may tell you, however, that the War Department policy with respect to protection against hostile air attack is to assure protection of areas rather than individual installations.

A recent special survey has been made by the respective Service Commands of all other internal security measures at the four Army Regional Accounting Offices (New York City; Atlanta, Georgia; Chicago, Illinois; and Los Angeles, California) as well as the Office of Dependency Benefits, Newark, New Jersey. These security measures include such factors as fire and accident protection and prevention, the prevention of sabotage and espionage, and passive defense against air attack. Such deficiencies as were found are in process of correction and rechecks will be made in order to maintain these installations at a high security standard.

Sincerely yours,

(Signed) ROBERT P. PATTERSON

ROBERT P. PATTERSON,
Under Secretary of War.

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U. S. C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

MEMORANDUM FOR THE SECRETARY.

May 21, 1943.

Mail Report

A sharp upturn in mail receipts during the past week was due to increased correspondence on the subject of Bonds. In spite of general discussion of taxation matters, letters in regard to this much-debated topic seemed to side-step the Treasury, being addressed either to the President or Members of Congress. Within the last five days the White House has referred more than 100 pieces of mail asking a Presidential veto of the Ruml Plan if it is passed by Congress. Of the mail received here a number of letters were copies of communications originally addressed to Congressmen. Other letters assumed a disagreement between the Treasury and Congress and launched immediately into a suggested compromise plan. There has therefore been very little to quote, either favorable or unfavorable to Treasury taxation policies.

Of 30 letters favoring a pay-as-you-go plan, 14 disapproved forgiveness, and 8 suggested that 1942 tax be forgiven but considered as taxable income for 1943. A number of correspondents, feeling sure that legislation would provide some measure of forgiveness, urged that all tax refunds be made in the form of Government Bonds.

Oregon's recent announcement of legislation which makes it the tenth Community Property state brought a few protests, and warnings of the effect of similar action by all states.

Although increased in volume, no new type of Bond mail appeared. A second wire dated May 15, and addressed to smaller business firms, brought even more satisfactory replies about Bond deliveries than had the earlier one addressed to large agencies. Many reported instant

- 2 -

Memorandum for the Secretary.

May 21, 1943.

delivery, and very few reported more than 10 days as the period required to get Bonds into the hands of employees. More Bonds were sent to the Secretary for redemption, the total reaching 63. Complaints from War Department personnel, 58 in all, were up slightly over last week. Several of the replies from industry as to the delivery period stated that there had been no complaints from their own employees, but that they had heard frequent ones from men working at arsenals, ordnance plants, and other Federal agencies.

In general, the week saw renewed interest in plans for pre-payment for post-war purchase of homes, real estate, cars, and durable household goods.

Cash contributions and ideas for increasing such gifts to the war effort come in every day. Recently there has been an increased number of requests for permission to organize drives for cash donations.

Gabriele E. Forbush

General Comments

Senator Tom Connally (Texas) forwards letter he has received from H. G. Parr, Well Machinery & Supply Co., Incorporated, Fort Worth, Texas. "May I suggest that while Congress is in session you gentlemen take action and kill that monstrosity which some bright boy, who must have been very smart, figured to unload on the public instead of our copper pennies? We have enough to worry about without having our money all mixed up. If there is any human living that can put a few of these things in his pocket, and have a few dimes and go pay a bill without getting them mixed up, I'll buy a treat. If there is anything that crowd at Washington can possibly do that means the loss of time and more red tape, they seem to be able to put it over; and I think Congress, while this is a small thing, should take action and kill the darn thing and pull all of them in that are in circulation, and make one out of cast iron, or just anything except what they have made them out of. * * * We are told if we will use them long enough they will get old and black and then they won't bother us any more . . . Well, if we use this New Deal, with all the Bureaucracy that we have, long enough, maybe it will get old and black enough so that the people of the United States will decide to throw the robbers out."

John George O'Brien, Waterford, Ireland. I have the honour to congratulate on your effort to stabilise an International Money and I sincerely hope you will be very successful. As one of the many who sold thousands of cases of American canned goods and dried fruit in this country on Coinage Manipulation Basis, I realise how great a measure this would be. * * *

Stephen Cochran Singleton, Key West, Fla. I doubt if any recent action of the Government, wise or unwise, has occasioned more heartfelt cussing than this one-cent coin which is so readily wished off on hurried cashiers and dim-sighted old people as a dime. I suggest that a square hole be punched in the middle of the infernal thing, thereby saving tons of scrap metal and the souls of men from perdition. P.S. In the event that money of this value does not come under your observation, I am attaching a sample which I am very glad to get rid of. It cost me nine cents.

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Favorable Comments on Bonds

Frank Niemetz, Y.M.C.A., St. Paul, Minn. I sold my common stocks and bought \$10,000 worth of G Bonds. It was my life savings. I came to this country penniless and America took me and let me stay. I never was on relief - made my living by honest work, and I am grateful to my adopted country. I thought my country is in need of financial aid, and I am proud to lend my money to my beloved country. Some people say common stock will pay big dividends during war, but I have faith in my Government. I know my life savings are safe for my old age. With best wishes to you and our Victory.

George W. Hill, President, The American Tobacco Co., Inc., N.Y.C. I am touched and proud to receive your letter of May 14. I deeply appreciate your courtesy and want to assure you that I, my people and my Company have been happy to cooperate with you in the furtherance of your plans. Your acknowledgment of our small efforts is most gracious.

Mrs. E. C. Fulgham, Wilson, N.C. You will recall that you sold me several Savings Bonds over six years ago, none of which have been redeemed so far, I'm glad to state. It is my hope to let them reach maturity. I wish to give as a free gift \$150 in War Savings Bonds to Mr. Ernest Speight Mears, c/o Belk-Tyler's Department Store of this city, and please notify him as to this effect in a personal letter to him. * * * You still have my Bonds in your possession, you will recall, and I wish to invest the above amount in a similar way. * * * Thanking you so much in advance for attending to this immediately.

Mrs. Marion Montague, San Francisco, Calif. For a long time I have been buying Defense Stamps with the interest

- 3 -

money I receive on my Bonds, and in that way the money goes back into the Treasury and nothing is lost to the Government. * * * As a matter of fact, I am not in favor of interest for our Bonds at all, not even after the war is over, and would be willing to accept less than I put in to ease things afterward. And you can put me down as one who will be satisfied with anything my Government decrees. My compliments and thanks to you for a magnificent job.

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Unfavorable Comments on Bonds

J. A. Farber, Washington, D. C. I am employed in the Office of War Utilities, War Production Board. I requested that \$30 per payday (\$60 per month) be deducted from my salary for the purchase of War Bonds. My application was not accepted in that form, and I was requested to change it to \$25 or \$37.50 per payday. Since the latter is too large a deduction, only \$25 per payday will be deducted for the purchase of Bonds. Although this is only \$10 a month, or \$120 per year, I wonder how much the purchase of War Bonds is being hindered by such a regulation. When employed by a private corporation, prior to my coming to Washington, the company was glad to have its employees subscribe to their limit, regardless of whether the amount was a "convenient" one for the company's bookkeeping records or not. * * *

Thomas G. Cooke, Dillsburg, Pa. We hear from the Treasury almost every morning about buying War Bonds, and we also hear and read about paying the German and other officers of the enemy that are taken prisoners of war \$20, \$30 and \$40 a month for the fun of being in prison, and it just made me plain mad to hear the latter. You ask us to buy Bonds and pay it out to our enemies who were using their knowledge of killing to kill our boys. What kind of a morale builder do you think that will be when the people once learn of it? * * * And it goes without saying that they are feasting on meat, sugar, coffee and cream that are rationed to us. I reckon this courtesy has been fixed up by the war mongers so they will not need to suffer for their crimes. The money in the Treasury is our money and you officers have no right to pay it out to our enemies that we are trying to keep from invading our country and making slaves of us. * * * What else are you fellows doing that smacks of German collaboration?

- 5 -

Charles H. Bailey, Darcy, Loughman & Bailey, Counselors at Law, N.Y.C. May I call to your attention that an unnecessary burden is being imposed upon War Mothers by the regulations of your Department relating to re-issue of War Bonds. The Navy Department has notified that William Charles Bailey has been killed in action. His mother presents this letter with Bonds which the boy had purchased in the name of William C. Bailey, for reissue, and your clerk insists upon an affidavit to be procured by this mother from two disinterested persons, to the effect that William Charles Bailey is the same person as William C. Bailey. In this particular instance, this bit of red tape can be readily cut, though time and patience are wasted. But many such instances will occur, since service men are registered in their full names but rarely use their full middle name in business affairs. Possibly such annoyances explain Mrs. Bailey being the lone person in line at the reissue window in your office at No. 51 Pine Street this morning, whereas several windows were required to take care of the cash-in patrons. Would it not be possible to furnish your clerks a pad of simple affidavits in blank to be filled in by the War Mothers to establish the Bond owner's identity?

Senator Albert B. Chandler forwards communication he has received from Mr. D. Saunders Threklkeld, Dayton, Ohio, which reads as follows: "Some months ago a payroll deduction plan for the purchase of War Bonds was inaugurated at the Wright Field. I subscribed to the purchase of Bonds as I was able as of August 1, 1942. On December 15, 1942, the Field took over issuance of Bonds, and from that date we have received Bonds regularly. However, for the period of August 1 to December 15, I have six Bonds due me. * * * I wrote the Bond office early in the year and they told me they didn't have much help and that I would receive the Bonds at an early date. Evidently they still can't get stenographers to type these Bonds. Since I went to Kentucky two times to vote for you last year, I wonder if it would be asking too much if you would loan one of your stenographers to the Treasury Department long enough to type these six Bonds. * * *"

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Letter addressed to Mrs. Roosevelt by Dorothy Lawson, N.Y.C., and referred to the Treasury by the White House.

*** My fiancee has been buying a War Bond ever since his induction in the Army Air Corps -- now he is fighting in Africa, and still buying them. I was named as co-owner and the Bonds (eight months of them) were to be sent to my home address. *** When eight months passed, however, and no Bonds were delivered, my fiancee became aggravated and worried. I, in turn, wrote to the Finance Department of the Centralized Field Office in Chicago. In answer, two days ago, came ONE Bond -- April issue -- accompanied by a note saying it was the 'only Bond they had record of'. Seven Bonds completely unaccounted for! The one thing we felt complete faith and trust in, was any savings and loan arrangement backed by our Government! In a New York paper a few nights ago appeared this comment, 'One of the most embarrassing squawks that shortly will resound in this Capital, will be heard when men in the armed forces put the heat on and discover why those Bonds they have been paying for haven't been delivered'. I put this aside as so much bad publicity and cheap propaganda, knowing the paper was against the fourth term, in particular, and President Roosevelt in general. But now it seems there is truth in back of their statement. Certainly I shall induce my friend not to invest any more money in Bonds, nor shall I do so either until this matter can be quickly and satisfactorily cleared up.

*** I am at a loss knowing where else to write or what to do about the matter when the office from which one Bond was delivered has no record of any previous Bonds. You can imagine with what poor heart and spirit I will have when I write to my friend now endangered in a struggle that means as much to you, your husband and the Government he proudly represents, as well as it does to us -- we little people who are taking all the risks of this rotten mess we're in -- when I tell him that apparently the Government holds his savings and his investments in very poor grace and light esteem. *** I am a little passionate about this because I do not like to see any one individual sacrifice so much -- life and money -- if the Government is not capable of protecting him to the limit. What do you advise that

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I do? I am representing five different people who have this same complaint, in even a greater degree of loss than the seven Bonds I mention. We are waiting for your advice. We are grateful too that we feel this good old American privilege of getting our trouble off our chest, even when it comes to bothering the highest Lady of the Land with our burden.

Wm. W. Gardner, Bemus Point, N.Y. On Monday, May 17, I am going to cancel my participation in the payroll savings plan at the Marlin-Rockwell Corporation, Jamestown, N.Y. Many others working for the above company are doing this too. Last week I received a Bond which I had finished paying for in March. I have two more Bonds paid for, still in their hands. Others have even more coming to them than I have. It has been found by some of the people who have left the employment of the Marlin-Rockwell Corporation that they had to make several trips before they could get the Bonds coming to them. * * * If the payroll savings plan is not handled in a more satisfactory manner for the workers, the Government is going to lose a large number of investors. There are 1,400 people working at this plant, and I believe that many who are giving up this method of buying Bonds will not purchase them elsewhere.

S. C. Kelton, Secretary, Rohm & Haas Co., Philadelphia, Pa. We are in receipt of your full-page telegram of about 200 words, urging all employers to speed up the issuance of War Bonds purchased under the payroll savings plan. * * * For our three companies in Philadelphia and Bristol, Pa., we are issuing at the present time between 2,500 and 3,000 Bonds per month. It takes between ten days and three weeks for the Bonds to be delivered to the employees after completion of the payroll period. We try to exercise the utmost care in order to make certain that no error is made in the issuance of the Bonds. * * * In view of the great increase in the number of our employees, the shortage of

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help in our Payroll Departments, the extra work involved in issuing Bonds, deducting Victory Taxes, and particularly the extra work involved on account of the laws freezing wages and salaries, we believe that the delay is not excessive. * * * The only serious complaints that I have heard regarding the delay in the receipt of Bonds have come from Government employees whom I know. For example, the Treasury Department from December of 1941 to August of 1942 had some 20 to 35 accountants, supervisors, guards, etc., stationed in our office and factories. They were quite envious over the fact that our employees got their Bonds within ten days to three weeks, while, according to their statements, they usually waited forty days. In order to verify the accuracy of this complaint, I telephoned to one of the Bond officials in the Federal Reserve Bank, and when I mentioned that some of the Treasury Department men here had been required to wait for forty days for their Bonds, the comment was, "They're lucky. A good many Government employees have to wait for six months to a year". The delay in issuing Bonds to Government employees was, we believe, discussed in some articles in the Philadelphia papers recently. Although you suggested that we should wire our answer, collect, we decided that in view of the length of our answer, there was no need of our wasting so much Government money. You may rest assured, however, that we are not satisfied with having ten days to three weeks elapse before our employees receive their Bonds, and that we are pushing our various Payroll Departments as much as possible to speed up their delivery.

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Favorable Comments on Taxation

Francis W. Hackett, The Good Housekeeping Shop, Detroit, Mich. The writer heartily concurs with your condemnation of any plan of tax forgiveness which forgives taxes due the Government by those who have the ability to pay and should have the desire to do so. * * * The principal objections to the so-called Ruml Plan are that it is highly inflationary, that it deprives the Treasury Department of income that is badly needed, that it permits those with large incomes in 1942 to escape taxation, that it is class legislation in that the man with a big income benefits to a much greater degree than the man with the small income. * * *

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 21 1949

TO Secretary Morgenthau
FROM Randolph Paul

For your information:

Foreign Funds Control reports that on May 12 the Bank of China, New York Agency, instructed the Irving Trust Company to issue a cashier's check for \$100,000 to the order of Madame Chiang Kai-Shek. The check was then endorsed by Madame Chiang to the order of Lin Kai Kung, a son of Dr. H. H. Kung, Finance Minister of China, and deposited by him to the credit of his personal account, which is unblocked pursuant to General License No. 42. The \$100,000 check was issued by the Irving Trust Company and negotiated by the Chase National Bank pursuant to the terms of General License No. 60. On May 17 a transfer of \$61,000 was similarly effected, together with a transfer of \$59,000 by Madame Chiang through Lin Kai Kung to the account of Lin Kai Kung's secretary, F. C. Woo, whose account is also unblocked pursuant to General License No. 42.

It is possible that these funds are to be used for some of Madame Chiang's expenses in the United States. Foreign Funds Control is checking transactions effected through the accounts of Lin Kai Kung and F. C. Woo since Madame Chiang's arrival in the United States and you will be informed if any significant information is developed.

ASJ

May 21, 1943.

Dear Mr. Poyser:

The Secretary is away from Washington and I am therefore acknowledging on his behalf the copy of Mr. Donald M. Nelson's May report in connection with the Second Russian Protocol.

I shall be glad to bring this to Mr. Morgenthau's attention as soon as he is back in his office, and I know he would wish me to thank you for your courtesy in sending it to him.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. E. A. Poyser,
Director, Foreign Division,
War Production Board,
Washington, D. C.

File in Diary

GEF/abs

WAR PRODUCTION BOARD

WASHINGTON, D. C.

May 17, 1943

IN REPLY REFER TO:

Mr. Henry Morgenthau
Room 280, Treasury Department
Washington, D. C.

My dear Mr. Morgenthau:

I am transmitting for your information a copy of Mr. Donald M. Nelson's May report to the President on production performance against materials and equipment commitments of the Second Russian Protocol.

I would appreciate any comments you may wish to make in regard to either the report itself or the performance record to date.

Sincerely yours,


E. A. Peyser
Director, Foreign Division

Attachment



C
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YSECRET

WAR PRODUCTION BOARD

WASHINGTON, D. C.

May 15, 1943

IN REPLY REFER TO:

My dear Mr. President:

The accompanying tabulation shows the progress made during April, and during the ten months ending April 30, toward fulfillment of Second Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

The situation in regard to most of the items included is generally very satisfactory. Full Protocol commitments for a considerable number have already been met, and the great majority of the remainder, except those for which production has been curtailed because of excessive seaboard stocks, are up to the schedule called for by the Protocol. Specifically, only nichrome wire, stainless steel, alloy tubes, certain wire products, small cutting tools, contained rubber, cable, and a few minor miscellaneous items are behind Protocol requirements. Of these, it appears that only power cable will remain appreciably behind at the end of the Second Protocol period. For reasons discussed in previous reports, several power cable contracts will have to be continued after June 30.

In addition to carrying on Second Protocol programs, the War Production Board is currently making arrangements to get Third Protocol programs under way so that there will be no interruption in the flow of supplies to the U.S.S.R. We have completed our study of production possibilities against Third Protocol requests and have recommended to the Protocol Committee offerings which can be met during the next fiscal year. Pending completion of negotiation of the new Protocol, we are processing requisitions which fall within the scope of our recommended offerings and are making provision to place these under schedule immediately.

Respectfully yours,

/s/

Donald M. Nelson



The President
The White House
Washington, D. C.

Attachment

SECRET

STATUS OF MATERIALS AND EQUIPMENT PRODUCTION PROGRAMS UNDER THE SECOND RUSSIAN PROTOCOL, AS OF MAY 1, 1943

(APRIL DELIVERY DATA SUBJECT TO REVISION)

Pro- to- col Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual De- liveries to Prot. Sched. (Prot.Sched. 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
<u>NON-FERROUS METALS</u>									
3	Aluminum Ingots	S.T.	27,180	1,680	19,276	71	86	7,904	Aluminum shipments totaling 22,400 S.T. have been scheduled for the five months period February 1, 1943 - June 30, 1943. This means that the Second Protocol commitment will be exceeded by 11,140 S.T.
3A	Duraluminum	S.T.	9,510	2,896	19,650	207	249	(10,140 Excess)	
	Total Aluminum	S.T.	(36,690)	(4,536)	(38,926)	(106)	(128)	(2,236 Excess)	
4	Nickel (Metal and Contained)	S.T.	7,800	711	7,968	102	123	(168 Excess)	The Second Protocol nickel commitment, which has been fixed at 7,800 S.T., is scheduled to be exceeded by approximately 1,400 S.T. The delivery figures given are based upon (1) deliveries of nickel metal, July 1, 1942 - April 30, 1943; (2) nickel delivered to mills in the U.S. for fabrication on U.S.S.R. account of steel, pure nickel wire, nichrome wire, cupro-nickel, etc., July 1, 1942 - December 31, 1942; and (3) nickel contained in steel, pure nickel wire, nichrome wire, cupro-nickel, etc., delivered to Soviet representatives in the U.S.A., January 1, 1943 - April 30, 1943.
5	Molybdenum	S.T.	4,000	775	4,082	102	123	(82 Excess)	The full Protocol commitment has been exceeded.
6	Copper (Metal and Contained)	S.T.	(134,400)	(10,877)	(108,323)	(81)	(98)	(26,077)	The production program shown is for copper to be shipped as such and copper to be shipped as contained metal in products other than military products. The delivery figures include copper in (1) refinery shapes; (2) pure copper products; (3) copper base alloys; (4) wire and cable; and (5) manufactures other than military manufactures.
7	Rolled Copper (Copper base alloys only)	S.T.	109,411	9,633	99,080	91	110	10,331	Because of the size of stocks of copper base alloys being held on U.S.S.R. account, 12,500 S.T. of brass mill capacity which had been reserved for the U.S.S.R. in April and May has been reallocated to the U.S. Army and Navy. Nevertheless shipments continue to exceed the required Protocol rate.
8	Magnesium	S.T.	0	336	1,344	-	-	(1,344 Excess)	To meet pressing Soviet needs, shipments of 2,016 S.T. of magnesium metal have been scheduled for the last six months of the Second Protocol period.

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Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 1/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. 100) 100	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
NON-FERROUS METALS (continued)									
9	Zinc	S.T.	29,000	3,500	31,118	107	129	(2,118 Excess)	Shipments of zinc metal continue to exceed Protocol requirements by 1,000 S.T. per month. At the end of the Protocol period, 9,118 S.T. in excess of the full commitment will have been made available. In addition, approximately 40,000 S.T. of zinc will have been furnished to U.S. mills for the production of items containing zinc on U.S.S.R. account.
11	Copper Goods and Tubes	S.T.	15,148	940	15,123	99	119	25	The full Protocol requirement has been practically met; nevertheless further deliveries are scheduled for May and June; accumulated stocks continue to be large.
30	Nickel-Chrome Wire	S.T.	538	11	394	73	88	144	The full commitment is scheduled to be met by June 1.
49	Mercury	S.T.	300	0	896	299	360	(596 Excess)	Shipments already made are said by Soviet representatives to be ample to meet U.S.S.R. import requirements to June, 1944.
89	Lead	S.T.	8	0	8	100	120	0	Regular lead and tin requirements of the U.S.S.R. are satisfied by the U.S. Shipments from the U.S. have been in response to spot requests.
90	Tin	S.T.	2	0	2	100	120	0	
91	Foil	S.T.	95	0	93	98	118	2	Commitments and deliveries shown were made in response to spot requests. There are no regular Soviet requirements on the U.S.
A	Aluminum	S.T.	52	0	52	100	120	0	
B	Tin	S.T.	1	0	2	200	241	(1 Excess)	
C	Nickel	S.T.	1	0	2	200	241	(1 Excess)	An additional 40 S.T. is being supplied as a part of the Arctic Program.
92	Babbitt Metal	S.T.	4	23	64	1,600	1,928	(60 Excess)	
93	Cadmium	S.T.	100	12.5	175	175	211	(75 Excess)	Despite the completion of Protocol requirements in October 1942, deliveries are continuing at the rate of 12.5 S.T. per month.
94	Cobalt	S.T.	144	17	168	117	141	(24 Excess)	
Total Non-Ferrous Metals Excluding Item 6 (Copper)		S.T.	203,293	20,494.5	199,495	98	118	3,798	

Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual Deliveries to Prot. Sched. (Prot.Sched.= 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
FERRO-ALLOYS									
12	Ferrosilicon	S.T.	9,408	620	5,062	54	65	4,346	Because of the size of stocks and the failure to make overseas shipments, no formal allocations of ferrosilicon to the U.S.S.R. are being made; the deliveries shown for April are shipments made against one contract which had gotten in arrears and which has been allowed to continue.
13	Ferrocrome	S.T.	5,376	0	2,573	48	58	2,803	Because of the size of stocks and the failure to make overseas shipments, allocations of ferrocrome to the U.S.S.R. have been completely suspended.
85	Ferrophosphorus	S.T.	4	0	4	100	120	0	} Commitments and deliveries shown were in response to spot requests. There are no regular Soviet requirements on the U.S.
86	Ferrovandium	S.T.	2	0	2	100	120	0	
87	Ferrotungsten	S.T.	2	0	2	100	120	0	
	Total Ferro-Alloys	S.T.	14,792	620	7,643	52	63	7,149	
HIGH PRIORITY ALLOY STEEL									
16	Polished Drill Rods	S.T.	60	3	63	105	127	(3 Excess)	} Stocks of alloy items included in this category being held on U.S.S.R. account continue to be relatively very large. Nevertheless, production has not been curtailed. Full Protocol commitments are scheduled to be met in all cases except certain alloy tube items. It should be noted that deliveries of carbon .5% moly. alloy tubes are shown in toto rather than by individual type as has been the case in the past. The reason for this is the fact that orders for alloy tubes have not followed the breakdown provided by the Protocol.
B	High Speed	S.T.	45	2	49	109	131	(4 Excess)	
C	Other Alloy	S.T.							
17	High Speed Tool Steel	S.T.	3,400	604	3,031	89	107	369	
18	Tool Steel	S.T.	700	118	585	84	101	115	
B	Alloy X12	S.T.	650	35	550	85	102	100	
C	Alloy X12M	S.T.	6,700	829	5,311	79	95	1,389	
D	Alloy-Other	S.T.							
19	Cold Finished Bars	S.T.	10,635	1,848	8,753	82	99	1,882	
B	Electric Furnace or O.H. Alloy	S.T.							
20	Hot Rolled Alloy Bars & Billets	S.T.	95,000	8,457	82,397	87	105	12,603	
23	Stainless Steel	S.T.	2,200	413	908	41	49	1,292	
A	Sheets	S.T.		0	287	82	99	63	
B	Strip	S.T.	350		371	46	55	429	
C	Hot Rolled Bars	S.T.	800	42					
25	Steel Wire	S.T.	1,344	114	696	49	59	688	
A	Ball Wire (Alloy)	S.T.	2,400	417	1,749	73	88	651	
B	Alloy ASTM 232	S.T.		258	827	69	83	373	
C	Alloy 4140	S.T.	1,200						

Pro- total Item No.	Item	Unit	2nd Protocol Production 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual De- liveries to Prot. Sched. (Prot.Sched. 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
HIGH PRIORITY ALLOY STEEL (continued)									
27	Steel Alloy Tubes	S.T.	2,200	41	577	26	31	1,623	See preceding page for comments.
A	Stainless 16-8	S.T.	15,500	1,801	7,475	48	58	8,025	
B	4-5% Chrome	S.T.	6,300	378	3,812	61	73	2,488	
C-M	Carbon .5% Moly.	S.T.	5,400	630	701	13	16	4,699	
F	H.R. Ball Bearing Tubes	S.T.	2,000	50	1,847	92	111	153	
28	Stainless Wire	S.T.	2,600	391	2,554	98	118	46	
29B	Other Alloy Wire	S.T.	159,484	16,431	122,503	77	93	36,981	
Total High Priority Alloy Steel			S.T.	159,484	16,431	122,503			
OTHER ALLOY STEEL									
14	Armor Plate	S.T.	13,440	90	839	6	7	12,601	The U.S.S.R. has cancelled the Protocol commit- ment for armor plate.
21	Cr-Si-Mn Billets	S.T.	95,000	0	59,494	63	76	35,506	Stocks approximate 33,000 S.T. and liftings are currently negligible. No further shipments during the Second Protocol period are scheduled.
Total Other Alloy Steel			S.T.	108,440	90	60,333	56	67	48,107
HIGH PRIORITY CARBON STEEL									
10	Bimetal (Copper Clad Strip)	S.T.	20,000	1,941	18,041	90	108	1,959	Except for bullet core, S.A.S. 1015-1050 plain carbon bars, square wire, and tinned wire, total deliveries are approximately up to or in excess of Protocol requirements. Limitations on pro- duction facilities are responsible for the lag in shipment of the items behind schedule. It should be noted that in the case of some items in this category, notably hot rolled sheets, shipments substantially above total Protocol requirements have been made.
16	Polished Drill Rods	S.T.	125	17	114	91	110	11	
A	Plain Carbon	S.T.	3,400	164	2,748	81	98	652	
18	Tool Steel	S.T.	10,000	981	4,347	43	52	5,653	
D	S.O.S. Bullet Core	S.T.	20,000	3,196	9,449	47	57	10,551	
F	S.A.S. 1015-1050 & Other Plain Carbon	S.T.	12,000	1,830	8,830	74	89	3,170	
25	Steel Wire	S.T.	12,000	671	8,990	72	87	3,410	
D	Music Wire	S.T.	350	88	326	93	112	28	
E	Spring Wire	S.T.	270	44	160	59	71	110	
G	Card Wire	S.T.	700	36	406	58	70	294	
I	Square Wire	S.T.	300	51	264	88	106	36	
L	Tinned Wire	S.T.	3,000	369	2,215	74	89	785	
M	Misc. Wire Products	S.T.	20,000	1,687	17,117	86	104	2,883	
26	Wire Rope	S.T.	20,000	5,608	32,356	162	195	(12,356 Excess)	
A	Aircraft	S.T.	20,000	5,608	32,356	162	195	(12,356 Excess)	
B	Other Wire Rope	S.T.	20,000	5,608	32,356	162	195	(12,356 Excess)	
33A	Hot Rolled Sheets	S.T.	20,000	5,608	32,356	86	104	17,182	
Total High Priority Carbon Steel			S.T.	122,145	16,703	104,963			

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Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual Deliveries to Prot. Sched. (Prot.Sched. 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
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OTHER CARBON STEEL

19	Cold Finished Bars	S.T.	60,000	0	25,350	42	51	34,650	
A	Bessemer 3/8"-2"								
22	Cold Rolled Sheets	S.T.	75,000	0	11,417	15	18	63,583	
A	Cold Rolled Strip	S.T.	60,000	2,825	29,636	49	59	30,364	
24	Timplate	S.T.	67,200	0	34,648	52	63	32,552	
25	Steel Wire	S.T.	20,000	86	14,094	70	84	5,906	
F	Rope Wire	S.T.	4,000	0	1,175	29	35	2,825	
H	Electric Welding Wire	S.T.	20,000	70	13,696	68	82	6,304	
I	Galvanized Tel. & Tel. Wire	S.T.	8,000	4	5,881	74	89	2,119	
J	Low Carbon								
31A	Barbed Wire	S.T.	40,000	0	22,457	57	69	17,143	
B	Staples	S.T.	2,600	0	1,755	68	82	845	
32	Pipe and Tubing	S.T.	6,000	121	4,228	70	84	1,772	
A	Welding Press and Mechanical	S.T.	12,000	527	2,631	22	27	9,369	
B	Seamless Press and Mechanical	S.T.	6,000	370	3,431	57	69	2,569	
C	Cold Dross Press and Mechanical	S.T.	24,000	0	14,571	61	73	9,429	
D	H.P. Press and Mechanical	S.T.	15,000	0	0	0	0	15,000	
E	Electric Veld Casing	S.T.	35,000	0	728	2	2	34,272	
F	Electric Veld Line Pipe	S.T.	15,000	0	12,364	82	99	2,636	
G	Seamless Casing	S.T.	40,000	438	12,538	31	37	27,462	
H	Seamless Line Pipe	S.T.	15,000	0	2,318	15	18	12,682	
I	Seamless Drill Pipe	S.T.	15,000	0	0	0	0	15,000	
J	Seamless Oil Well Tubing	S.T.	3,000	0	1,341	45	54	1,659	
K	Tool Joints								
33	Hot Rolled	S.T.	5,000	0	2,650	53	64	2,350	
B	Galvanized Roofing Sheets	S.T.	75,000	680	29,032	39	47	45,968	
C	Plates	S.T.	6,500	2,279	5,365	83	100	1,135	
D	H.R. Bars and Bar Mill Shapes	S.T.	13,000	962	4,824	37	45	8,176	
E	Structural Shapes	S.T.	11,000	396	15,076	137	165	(4,076 Excess)	
F	Strip	S.T.	4,000	0	3,995	99	119	45	
G	Terne Plate and Long Terne								
34A	Bolts, Nuts, Rivets, Chains & Screws	S.T.	6,000	307	2,746	46	55	3,254	
B	Nails	S.T.	7,000	2,488	4,855	69	83	2,145	
	Total Other Carbon Steel	S.T.	670,300	11,553	283,162	42	51	387,138	

Stocks of items in this category are still excessive. Production continues, therefore, to be limited to a few specialties which are needed to meet spot requirements.

RAILROAD MATERIALS

101	Rails	S.T.	175,000	0	59,767	34	41	115,233	
101A	Accessories	S.T.	80,000	0	15,467	19	23	64,533	
102	Mounted Sets of Wheels and Axles	S.T.	36,000	3,417	21,757	60	72	14,243	
103	Car Axles	S.T.	60,000	0	33,195	55	66	26,805	
104	Locomotive Car Wheel Tires	S.T.	13,500	3,544	12,303	91	110	1,197	

Because of new U.S.S.R. requirements for rails and accessories, existing stocks of these items are being rapidly moved to port and production is currently being renewed. Wheels and axles and locomotive car wheel tires are also being moved. Production of other items in this category continues under suspension because of the stocks situation, however.

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Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
<u>RAILROAD MATERIALS (continued)</u>									
105	Roller Steel Car Wheels	S.T.	16,000	0	7,738	43	52	10,262	See preceding page for comments.
107	Steel Locomotive Axles	S.T.	255	0	253	99	119	2	
108	Electric Locomotive Axles	S.T.	300	0	222	74	89	78	
	Total Railroad Materials	S.T.	383,055	6,961	150,662	39	47	232,393	
<u>CHEMICALS</u>									
36	Phenol	S.T.	12,000	997	11,362	95	114	638	Additional quantities of Ethylene Glycol made available are included under Item 61A "Other Chemicals."
38	Ethylene Glycol	S.T.	2,400	0	2,400	100	120	0	
39	Sodium Bromide	S.T.	1,800	150	1,804	100	120	(4 Excess)	
40	Phosphorus	S.T.	2,400	350	2,461	103	124	(61 Excess)	Revised commitment agreed to by U.S.S.R. representatives. Net outback in production during the month of April amounted to 73 S.T.
41	Dibutyl Phthalate	S.T.	3,600	231	3,060	85	102	540	
42	Dimethylaniline	S.T.	3,000	238	3,076	103	124	(76 Excess)	
43	Diphenylamine	S.T.	1,800	130	1,505	84	101	295	Shipments of all chemicals are above the rate required by the Protocol; in the case of a majority of items entire allotments for the Second Protocol period have been met. Stocks of chemicals continue excessive.
44	Colloxylin	S.T.	3,762	0	3,530	94	113	232	
45	Methanol	S.T.	12,000	1,270	10,354	86	104	1,646	
46	Urotropine	S.T.	4,600	1,572	6,730	146	176	(2,130 Excess)	Soviet cresol requirements are being satisfied by the U.S.
48	Ammonia Chloride	S.T.	4,800	200	4,203	88	106	597	
50	Potassium Nitrate	S.T.	3,600	0	3,600	100	120	0	
51	Ammonium Cyanide	S.T.	3	0	3	100	120	0	Soviet cresol requirements are being satisfied by the U.S.
52	Centralite	S.T.	600	74	560	93	112	40	
53	Resarin (Resorcinol)	S.T.	120	20	120	100	120	0	
54	Barium Peroxide	S.T.	300	25	250	83	100	50	Soviet cresol requirements are being satisfied by the U.S.
55	Strontium (S. Oxalate)	S.T.	96	4	92	96	116	4	
56	Rodalite (Rhodamine B)	S.T.	6	1	6	100	120	0	
57	Torium (T. Nitrate)	S.T.	3	0	3	100	120	0	Soviet cresol requirements are being satisfied by the U.S.
58	Cerium	S.T.	18	2	18	100	120	0	
59	Cresol	S.T.	-	-	-	-	-	-	

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Protocol Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments	SECRET
<u>CHEMICALS (continued)</u>										
50	Potassium Sulphate	S.T.	1,800	319	1,800	100	120	0	See preceding page for comments.	
51	Anthracene	S.T.	0	0	9	-	-	(9 Excess)		
51A	Other Chemicals	S.T.	60,000	6,781	51,298	85	102	8,702		
	Total Chemicals	S.T.	118,708	12,364	108,244	91	110	10,464		
<u>INDUSTRIAL EQUIPMENT</u>										
15	Hard Alloys and Small Cutting Tools	\$	22,404,000	1,060,664	14,960,849	67	81	7,443,151	Requisitions for the full Protocol commitment have not yet been submitted; this in large part explains the lag in shipments behind Protocol requirements.	
52	Machine Tools	\$	150,000,000	32,109,647	156,857,149	105	127	(6,857,149 Excess)	The guaranteed Protocol commitment for equipment of this type has already been exceeded. Nevertheless very large deliveries are scheduled for May and June.	
53	Electric Furnaces									
54	Forging Presses and Hammers									
55	Various Industrial Equipment									
57	Abrasives	\$	4,000,000	246,610	3,679,902	92	111	320,498	Shipments are considered satisfactory.	
	Total Industrial Equipment	\$	176,404,000	33,416,921	175,497,500	99	119	906,500		
<u>MARINE AND SUBMARINE CABLE</u>										
1	Marine Cable	Ka.	1,421	141	1,034	73	88	387	Deliveries are now considered satisfactory and there seems to be no doubt that full Protocol requirements will be met.	
2	Submarine Cable	Ka.	780	265	745	96	116	35		
	Total Marine and Submarine Cable	Ka.	2,201	406	1,779	81	98	422		
<u>POWER AND OTHER CABLE</u>										
74	Electric Power Cable	S.T.	52,666	1,214	2,993	6	7	49,673	Deliveries are considered very unsatisfactory. A promised acceleration has begun but until the present it has been far under expected proportions.	
74A	Misc. Copper Cable and Wire	S.T.	52,386	4,494	25,823	49	59	26,563	Deliveries are becoming increasingly accelerated but they are still considered unsatisfactory.	
	Total Power and Other Cable	S.T.	105,052	5,708	28,816	27	33	76,236		
<u>CLOTHING</u>										
71	Shoe Leather	S.T.	18,670	2,466	8,257	44	53	10,413	Quartermaster items.	SECRET
72	Army Boots	Frs.	2,400,000	212,958	2,233,374	93	112	166,626		
73	Army Cloth	Yds.	18,000,000	3,228,284	14,708,296	82	99	3,291,704		

FP- 1001 Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 1/	Ratio of Actual De- liveries to Prot. Sched. (Prot.Sched.= 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
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MISCELLANEOUS MATERIALS ITEMS

37	Petroleum Products	S.T.	240,000	12,110	173,305	72	87	66,695	Delivery figures are actual export figures. Shipping conditions, rather than production conditions, have governed performance.
75	Webbing	Tds.	36,000,000	2,849,936	26,722,074	74	89	9,277,926	Webbing deliveries have been slightly behind Protocol requirements because of limited manufacturing facilities. A recently arranged conversion of rug mills is currently bringing about an acceleration, however.
76	Tarpsulin	Tds.	8,000,000	3,773	5,829,620	73	88	2,170,380	Existing requisition for tarpsulin has been completed. Soviet representatives have been asked to place a new requisition for any additional amount required.
80	Sheet Fiber	S.T.	4,361	227	1,500	34	41	2,861	More than 90% of the Sheet Fiber commitment was not requisitioned until the last of August, 1942. The requisition involved was held in the O.L.L.A. for approximately two months before being cleared for allocation and procurement. As a result contracts were placed only in December and January. Deliveries consequently have been considerably behind Protocol requirements. In addition, present schedules do not call for completion of orders until August, 1943. Soviet representatives have stated that they understand the circumstances responsible for the delay and do not anticipate full satisfaction of the Protocol commitment until after the end of the Second Protocol period.
83	Condenser Paper	S.T.	240	0	92	38	46	148	Deliveries against all requisitions submitted to date have been completed. The Soviet Government Purchasing Commission has not requisitioned 148 S.T. of the 240 S.T. allotted the U.S.S.R. in the Second Protocol.
83A	Cigarette Paper	S.T.	908	0	747	82	99	161	Deliveries are considerably ahead of schedule.
83B	Furchnent Paper	S.T.	2,090	34	2,339	112	135	(249 Excess)	The entire Protocol commitment has been satisfied. Additional requisitions are being accepted to meet the needs of the Soviet fishing industry.
<u>MISCELLANEOUS EQUIPMENT ITEMS</u>									
68	Graphite Electrodes	S.T.	5,640	716	5,436	93	112	404	Protocol requirements are scheduled to be satisfied before June 30. In addition, the supply of 633 S.T. of carbon electrodes during the remainder of the Second Protocol period has been authorized.

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Pro- to- col Item No.	Item	Unit	2nd Protocol Production Program 1/	Made Available at Mill in U.S.A. Apr. 1 - Apr. 30 2/	Made Available in U.S.A. July 1 - Apr. 30 2/	Percent of 2nd Prot. Program Completed as of May 1 3/	Ratio of Actual De- liveries to Prot. Sched. (Prot.Sched.= 100)	Balance to be Produced as of May 1 to Satisfy 2nd Protocol Prod. Program	Comments
MISCELLANEOUS EQUIPMENT ITEMS (continued)									
69	Bearings	No.	-	66,466	2,546,095	-	-	-	There is no firm Protocol commitment but large numbers of requisitions have been accepted. Deliveries against these have been unsatisfactory. It is hoped that through the submission of new requisitions which call for types of bearings which can be easily fitted into U.S. production schedules, the situation will be improved.
70	Balls and Rollers	No.	28,000,000	10,751,000	70,150,281	251	302	(42,150,281 Excess)	Deliveries are considered satisfactory.
78	Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,320	4,812	19,142	47	57	21,178	Delivery figures are for rubber content of tires and tubes procured by the Treasury Department only.
79	High Pressure Hose	S.T.	648	39	210	32	39	438	} Deliveries of both high pressure hose and shock absorber cord represent a relatively large percentage of our total production.
81	Shock Absorber Cord	S.T.	64	0	39	61	73	25	
82	Metallic Cloth and Screen	\$	1,000,000	188,766	1,165,001	117	141	(165,001 Excess)	The production program shown is a translation calculated by the Soviet Government Purchasing Commission of the Protocol commitment into dollar value. Deliveries have been satisfactory.

- 1/ Second Protocol production programs have been adjusted (a) to take account of the modification of steel requirements under the 2nd Protocol worked out by the Steel Division, W.P.B., and representatives of Government Purchasing Commission of the Soviet Union, and approved by the Requirements Committee, W.P.B., in Program Determination No. 230; (b) to take account of the portion of ferro-silicon and ferro-chrome commitments which are being supplied by the U.S., and (c) through translating some commitments from short tons into the units of measure commonly used in connection with the items in question.
- 2/ Made available data in the case of all items except steel, railway materials, "other chemicals", machine tools, electric furnaces, forging presses and hammers, various industrial equipment, tires, tubes and other rubber products, electric power cable, miscellaneous copper cable and wire, tarpaulin, shock absorber cord, sheet fiber and metallic cloth and screen include stocks which were on hand as of June 30, 1942, and which were available for shipment against 2nd Protocol commitments. Stocks of steel items which were on hand as of June 30, were taken into account in the adjustment of steel requirements under 2nd Protocol commitments mentioned in Note above.
- 3/ The 2nd Protocol calls for deliveries in "Equal Monthly installments." Thus five-sixths of each commitment should have been delivered by Apr. 30, if Protocol schedules were to be maintained.

War Production Board
Foreign Division
Review and Analysis Branch
May 14, 1943

SECRET

MAY 21 1943

Dear Mr. Leffingwell:

Thank you for your kind note of May 7, 1943.

I shall be glad to receive the statement of your views on the Treasury proposal for an International Stabilization Fund. You may be sure it will be given careful consideration.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

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

Photo file in Diary
File to White's office

EMB:bh 5-19-43

*25 Wall Street
New York*

R. C. LEFFINGWELL

to Whit
May 11, 1943

Dear Mr. Secretary:

*Substitute
made*

May I trouble you to substitute the enclosed revised pages 4 and 7 in my note on Keynes's International Clearing Union. They correct mistakes which I found in the second paragraph on page 4 and the third line on page 7.

I am, my dear Mr. Secretary,
with great respect,

Faithfully yours

Leffingwell

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

Enclosures

4 WZ
Wall Street
New York

100 Wall

May 7, 1943

Mr. Secretary:

Thank you so much for your good letter and for sending me the memorandum of the U.S. Treasury Preliminary Draft Proposal for a United and Associated Nations Stabilization Fund. I had put off consideration of it until I should have the advantage of hearing Professor White talk about it at the Council on Foreign Relations, as he did last Friday. However, I had the bad luck to be sick a-bed with a cold and sore throat when Friday came along so I could not go. If I do write a note about it I shall send you a copy for what it may be worth. At first sight it seems to be in principle much the same as the Keynes plan, though considerably different in detail.

By the way, there is a clerical error in my memorandum of April 19th, page 7, third line: "tens of billions" should of course be "ten billions." The actual figure I believe is thirteen billions.

I am so glad that you went all the way to the coast on your Second War Loan tour. I am sure it did a lot of good. I hope it didn't wear you out. I congratulate you with all my heart on the great success of this great effort.

I am, my dear Mr. Secretary, with great respect,

Faithfully yours

Robert H. Taft

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

OFFICE
SECRETARY OF TREASURY

1943 MAY 22 PM 2 40

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RESTRICTIONS

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BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 166

Information received up to 7 a.m., 21st May, 1943.

1. NAVAL

One of H.M. Submarines torpedoed a ship of the VIRGILIO class (11,718 tons) escorted by 2 destroyers on the 12th in GULF OF GENOA. The German liner GNEISENAU (18,160 tons) was mined in the BALTIC at the end of April, Swedish press reports states she is beached and lying on her side.

2. AIR OPERATIONS

WESTERN FRONT. 19th/20th. Aircraft despatched; Sea mining - 23, BERLIN - 3, Intruders - 25.

TUNISIA. 17th/18th. 25 enemy aircraft attacked the harbour and airfield at DJEDJELLI. 2 Ju 88's were destroyed by Beaufighters.

SARDINIA. 17th/18th. 16 Wellingtons bombed ALGHERO town and port with 32 tons.

PANTELLERIA. 97 tons dropped by 86 Medium Bombers escorted by 91 Lightnings. Hits on docks, quays, barracks and among grounded aircraft.

SICILY. Fortresses escorted by Lightnings attacked TRAPANI dropping 140 tons. Bursts seen in town, near harbour and among ships in one of which explosion caused.

SICILY and SOUTHERN ITALY. 18th/19th. Mosquitos on Intruder patrols effectively attacked railway objectives and factories.

BURMA. 18th. Liberators dropped 36 tons on MINEU, 150 miles East of AKYAB.

May 22, 1943
9:52 a.m.

HMJr: Hello. (Talks aside: I mean I'll just do this, and then I'll....)

Operator: Hello.

HMJr: Hello.

Randolph Paul: Hello.

HMJr: Is the light - are you making a record?

P: Are we - yeah, I guess - yes, we are now.

HMJr: All right. Now would you tell me what happened, please.

P: Well, yesterday afternoon about - well, Dan Bell went over - we talked to Dan Bell before Cabinet meeting, and he called up and tried to get a date with the President just before Cabinet meeting.

HMJr: Yes.

P: The President was too involved and had been late for lunch and so on, so Dan went over the whole situation with me, and he was prepared to discuss it at Cabinet meeting.

HMJr: Yes.

P: He did discuss it with the President, and Byrnes was in on the conversation.

HMJr: Yes.

P: He told the President what Vandenberg had brought up, and - and they - he even discussed the situation with respect to the new tax bill and the - the relationship of this 50%-75% plan in that it prevented or complicated the job of additional taxes, which led into a discussion of the next tax bill. Dan explained to the President that the idea of a good many members of Congress was that if they forgave part of '42 taxes and left the other part on, that that would be in lieu of any new taxes, meaning a couple of billion dollars in new taxes and no more.

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HMJr: Yeah.

P: The President was quite shocked by that, apparently....

HMJr: Yeah.

P:and said that - well, he needed - he had asked for sixteen billion and it would be too much borrowing and - and it would have a bad effect on inflation.

HMJr: Yeah.

P: Dan also told the President there was a good deal of disposition up there not to start a tax bill until September....

HMJr: Yeah.

P:and Byrnes agreed with Dan on both these things. He said he'd heard the same thing.

HMJr: Yeah.

P: The President said that was - was rather shocked at that.

HMJr: Yeah.

P: Now on the point of - of any possible - on the point of explaining the distinction between a straight 50% or 75% cut, which is what George favored....

HMJr: Yeah.

P:and the House bill and the Doughton bill, which we have been favoring right along....

HMJr: Yeah.

P:the President said he didn't know whether he would - he would either see us before he saw George or right afterwards, and he wouldn't make any decision....

HMJr: Yeah.

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P:but he was going to wait to see - see if George communicated with him. But he wouldn't make any decision without consulting us.

HMJr: Yeah.

P: Well, that was - that was during Cabinet meeting.

HMJr: Yeah.

P: We were up - I waited until the last minute and went up, and they had a three o'clock meeting and about four o'clock or so....

HMJr: Yeah.

P:George went out of the room for quite an extended telephone conversation. Of course, we didn't know with whom.

HMJr: Yeah.

P: He - after that conversation he drew Walsh out of the room and talked at some length with him, and then later he asked Doughton out and they talked.

HMJr: Yeah.

P: And then after those three conversations, George said, well, he didn't know whether there was any possibility of - of agreement, but he - he suggested they meet at eleven o'clock this morning....

HMJr: Yeah.

P:and he said, "And you might be thinking over the idea of just having withholding tax with no abatement, leaving abatement to the tax bill."

HMJr: Yeah.

P: Then I came back, and of course - it was obvious to me that something had been going on there.

HMJr: Yeah.

P: Dan didn't know what was going - didn't - hadn't heard any more, so I called up Ben Cohen....

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HMJr: Yeah.

P:and I didn't get him until about five-fifteen or so.

HMJr: Yes.

P: He said that following the conversation at the Cabinet meeting....

HMJr: Yes.

P:George had called Byrnes....

HMJr: I see.

P:and Byrnes had - had told him about the dead-lock....

HMJr: Yeah.

P:and that between that conversation and - and just before I talked to Ben -- that is, I should say, towards late - say, five to five-fifteen....

HMJr: Yeah.

P:in that time, Byrnes had called George - no, Byrnes had talked to the President....

HMJr: Yeah.

P:and the Pres.. - and explained to him the difference between these two ideas.

HMJr: The President explained to whom?

P: Byrnes explained to the President.

HMJr: Yes.

P: And the President decided that he was in favor of the House bill or the - or the - or the Doughton bill, or any reasonable variation of them, as against the George type....

HMJr: Yes.

P:of flat bill. Following that conversation between Byrnes and the President, Byrnes called up George and told him.

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HMJr: Yeah.

P: So that's - that's what's happened, and I don't - I haven't heard from George or Doughton or anybody this morning.

HMJr: Well, here's the way I feel. Hello?

P: Yeah - yeah.

HMJr: If there's going to be a meeting between the Leaders and the President, I'd like to be there, if there's time for me to get down.

P: Yeah. Well, I haven't heard of any meeting, but....

HMJr: And - and, I could - as I say, I could get down very quickly, because it's so important.

P: Yeah.

HMJr: And I might be helpful.

P: Yeah. Well, I haven't heard of any meeting, but I take it that - that the President has made his decision and - and what will happen when - and I suppose George will say something about it at the meeting this morning.

HMJr: Right.

P: George is sort of official communicator between the Conference Committee and....

HMJr: George?

P: Yeah. And I suppose George will make some announcement this morning, and then the conference will either break up or it will - or it'll decide to take one of the things the President wants. I....

HMJr: The President wants either - well, what do you think - has - you got this second-hand, haven't you?

P: Yeah, I got it through Ben Cohen.

HMJr: Yeah.

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P: I wasn't present at any of these conversations, but....

HMJr: Yeah.

P:but I did talk to Byrnes, and I - I....

HMJr: Well, from my standpoint....

P:just before the Cabinet meeting, I talked to him at length....

HMJr: Yeah.

P:right after his Board meeting yesterday, and before Cabinet meeting, and then I rushed back to talk to Dan Bell.

HMJr: Well, from our standpoint, it's going all right, isn't it? As far as the White House....

P: Well, yes, the White House is completely backing us up, and - and I think we have Byrnes equally in - and we have Byrnes in the position where he can't go back on us now because he's - he's been in on this letter, and he's - he's the one that explained this distinction to the President.

HMJr: Well, why don't I simply sit tight and wait until he hears what happens at eleven, see?

P: Yeah, I guess there's nothing else for you to do, but if there is any meeting, of course, I'll communicate with you right away, and I'll try....

HMJr: Well....

P:to get the meeting put off....

HMJr: Well....

P:to a certain time.

HMJr: Why don't you do this? Tell Byrnes if there's going to be any meeting, I - I'd like some warning.

P: Well, I'll call Byrnes and tell him that.

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HMJr: And I'll call up Grace Tully and tell that to her myself.

P: And by a meeting, you mean of the Leaders...

HMJr: Yeah.

P:or any critical meeting that may transpire.

HMJr: That's right.

P: All right.

HMJr: I could always get down. From the time I got word, I could always be there in a couple of hours.

P: Yeah. I hope you don't come down this afternoon though because it don't look very good here. (Laughs)

HMJr: What's that?

P: I hope you don't come down this afternoon. It doesn't look very good here.

HMJr: You mean the weather?

P: Yeah.

HMJr: Well, of course, I couldn't fly if the weather wasn't good.

P: Yeah.

HMJr: But so far I - my think is - I think you fellows have handled it fine.

P: Yeah, well, I - I - I think we - I think it's going well except, of course, what may happen is a - a complete deadlock, and - and if you like that better than the Ruml plan that's what you may have - you may have what you want. (Laughs)

HMJr: A complete deadlock?

P: Yeah.

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HMJr: No, I don't want a complete deadlock.

P: Well, that's what - that's what very well may happen, and according to this morning's papers the Republicans may then try to force another vote in the House, which may be the fourth time they're licked.

HMJr: Well, the point is this. I have no personal vanity that I want to be at a meeting just to be there....

P: Yeah.

HMJr:but I want you to judge if you think that there's a balance that I might by throwing my weight....

P: Well, I don't - I think that's true, but in any event I want to get you in at the meeting if there's any pos.. - unless....

HMJr: Don't....

P:they rush it together on five minutes' notice.

HMJr: I know. But, as I say, it isn't a question of my wanting to sit in on a meeting.

P: Yeah, well....

HMJr: You know.

P: Yeah, I know.

HMJr: But what I think I'm going to do is I'm going to have my plane come up now.

P: Yeah.

HMJr: So it'll be here standing by.

P: Yeah.

HMJr: Just in case.

P: Well, I - yes, you might do that, although - well, you know how these things are. They're completely unpredictable. They may decide to

(Cont'd.)

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P: have a meeting this afternoon, or they may
(Cont'd.) not -- I don't know.

HMJr: Well, the plane might just as well be sitting
here as in Washington.

P: Yeah, okay. Now do you want to talk to Herb
or John? They're both here.

HMJr: No. You see, I've got Sproul coming in at
10:15....

P: Yeah.

HMJr:and - I understand I've got three letters
from Eccles on my desk....

P: (Laughs)

HMJr:and you might -- I think Chauncey's
dictating them now to my outer office here -
I'm at the Customs House -- but you might just
tell Herbert that the group that is advising
me on War Bonds versus Federal Reserve better
read the Eccles correspondence.

P: All right. Herb's right here. I think he
wants to say one word to you.

HMJr: All right.

Herbert
Gaston: I read the Eccles memorandum. Of course, it's
even stronger than the - it's the same position
that the presidents took in the meeting, and
it's - he puts it in an even more direct way,
that they have a "mandatory" duty to handle
the financing.

HMJr: Yes.

G: But - but the thing I really wanted to say is
this....

HMJr: Yeah.

G:that I think this thing has got kind of
upside down on our talk about the personality
of that one man....

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HMJr:

Yes.

G:

....Perry Hall; that the real issue you're facing with Sproul is this. Is he willing to concede your right to - at least to disapprove his selection? In other words, is he willing to go along on the basis that he will select nobody or that nobody will be selected unless that man has your complete approval? And that question has to be faced before you come to the matter of Perry Hall. Is - is - if he's insisting at the outset that he's got to have Perry Hall, why, that's in violation not only of the plan we proposed but of the plans they proposed themselves.

HMJr:

Oh, I've got that.

G:

Yeah, yeah.

HMJr:

But, Herbert....

G:

Yeah.

HMJr:

I mean what it boils down to -- up to the time he comes in....

G:

Yeah.

HMJr:

....is that he wants to do it his way, and he doesn't want me to either have the veto power or the suggestive power.

G:

Yes. Well, of course, he's got to - if he - if he won't give - grant either of those, then he's not willing to go along. That - that's all.

HMJr:

No. Well, and the letter - there's one letter they've read to me from Eccles that is much worse.

G:

Is that so?

HMJr:

Oh, yes. He - Eccles - there's a letter in from Eccles now - before I appoint the National Director, they want to be consulted.

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G: Uh huh, uh huh, yeah, yeah. Well, of course, that's - that's way out of bounds.

HMJr: What?

G: That's way out of bounds.

HMJr: Yeah.

G: Those - those letters are not available here, are they?

HMJr: Wait a minute. Wait a minute. Mrs. McHugh just handed them to me. Just let me see a minute. Yeah, Miss Chauncey has the letters. But just let me read this. Will you hold on a minute?

G: Yes. Yes.

HMJr: Well, there's one. I've read that. That's the one on Gamble. Hello?

G: Yes.

HMJr: Just a minute. Well, then he wants a copy of a transcript of the meetings. You can think that one over.

G: Uh huh.

HMJr: Well, now let's see....

G: They - they had previously asked that the....

HMJr: What?

G: They had previously asked that the transcript be destroyed.

HMJr: Yeah. Now they want a copy of it.

G: Uh huh.

HMJr: Well, the other letter is that he's seen the letter that Eccles has written - Sproul has written me, and why do I misunderstand them; they're perfectly fair, and so forth and so on.

G: Uh huh, uh huh.

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HMJr: Well, anyway - hello....

G: Yes.

HMJr: I'll try to get hold of Grace Tully.

G: Yes.

HMJr: You ask Miss Chauncey, and you - you know the group that's been working with me on the War Bonds....

G: Yes, yes.

HMJr:and I'll....

G: You want them to see those letters.

HMJr: Yeah, yeah.

G: Yes.

HMJr: Well, if I can have the operator now I want to - I've only got a few minutes, and I want to get - before Sproul gets here.

G: Yeah.

Operator: Operator.

HMJr: Miss Grace Tully or....

(Remainder of conversation not recorded.)

May 22, 1943
11:10 a.m.

HMJr: Hello, Ronald.

Ronald
Ransom: Yes.

HMJr: Hello. Can you hear me? This is Henry
Morgenthau, Jr.

R: Yes.

HMJr: I am sitting here with Allan Sproul, and I
wanted to talk to Marriner but he's out, and
they don't know where he is and they say he
can't be reached until 12:30. They don't seem
to know where he has gone to. You don't know
where he is, do you?

R: I haven't the slightest idea. They just told
me now that you had called for Marriner but
wasn't able to get him, and so you wanted to
talk to me, so I came out of a meeting. I
think he is at a meeting somewhere but they
haven't any record here as to where he is. It
may be that he is in the process of coming
back here to the office.

HMJr: Well, I take it you are familiar with this
controversy that has been going on.

R: Oh, yes.

HMJr: Well, let me tell you what I have been doing.
Allan Sproul is sitting here and - it is a
little difficult for me to report it, and if
I don't report it correctly he will talk to
you. Sproul and I met yesterday, and I don't
know but I guess he reported that part of it to
Eccles.

R: He may have, but I haven't heard.

HMJr: Well, briefly, we talked about it yesterday and
we got down to personalities. I told him that
as far as the Washington end was concerned, that
under Bell and me would be Ted Gamble. I then
suggested we would like to set up an organization
here, and we got down to personalities and the
name of Perry Hall came up, and I said that I

(Cont'd.)

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HMJr: didn't want him as second man to Allan Sproul.
(Cont'd.)

R: You didn't want him?

HMJr: I didn't want him as second man, no. I would be glad to have him in the organization and have him work with the wealthy people, but that this was a matter of forty-three weeks out of fifty-two we would be working with the smaller people, and I wanted somebody whom I thought could do that better.

R: Yes.

HMJr: I then suggested the name of Mr. Madden.

R: Madden?

HMJr: Madden, yes. He is Executive Vice President of Manufacturers' Trust. Sproul didn't think he would fill the bill.

R: Yes.

HMJr: I then suggested Randolph Burgess, and that didn't seem to suit Sproul.

R: Yes.

HMJr: I then suggested that I bring up here to New York Bell, Gaston, and Gamble so that we could talk the thing over.

R: Bell, Gaston, and Gamble?

HMJr: Yes. But Sproul said he wasn't ready to talk with them. He said he wanted to think it over, particularly the part about Perry Hall.

R: Yes.

HMJr: Well, then Allan and I have been sparring around this morning on my position that I want to make the suggestions and then let him approve or disapprove. He said he didn't want to say "yes" on Madden, and he thinks he can get a better man than Burgess.

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R: Yes.

HMJr: I pressed him fairly hard on the position I took last Friday morning when I said I wanted to take the initiative and say, "This is what we want."

R: Yes.

HMJr: Now Sproul hasn't said definitely that he would go along with me if it wasn't Perry Hall.

R: How's that?

HMJr: Well, I don't know just how to put it, but Sproul hasn't definitely told me that he will go along with me if it isn't Perry Hall.

R: This is a little confusing. You say he hasn't said he won't go ahead if it is not Perry Hall?

HMJr: He hasn't told me that he will go with me if it isn't Perry Hall.

R: He hasn't told you that he will go with you if it isn't Perry Hall.

HMJr: That's right. I will put it this way. To me Perry Hall, in this case, becomes a symbol. I am stating and sticking by my position that I want to take the initiative. I want to make the proposals, and then the President of the Federal Reserve Bank can say "no." I proposed Randolph Burgess as a name or Madden.

R: Yes.

HMJr: I feel that either one could do it. Sproul won't say he will go along. Now I had suggested Madden or Burgess. Sproul won't say he will go along unless it is Perry Hall. I think I'm reporting this right - well, he hasn't given me the "no" signal yet so I guess that's right. I'm watching his eye.

R: I see.

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HMJr: Now I also suggested that - that I - that after Sproul and I got together, he should sell the other eleven presidents. He thinks it should be done in conjunction with representatives of the Federal Reserve Board.

R: Oh, I think that would be better.

HMJr: Yes, I agree with him on that.

R: Yes.

HMJr: Now I have told Sproul from the bottom of my heart that I think he is making a big mistake. I think the attitude, judging from my past record with the Federal Reserve, should be that we will cooperate with you and we do trust you and we would like to be helpful.

R: Yes.

HMJr: Now instead of that I am sitting here for the second day bargaining, and I don't like to bargain. I don't think I should have to.

R: Yes.

HMJr: Now in one more effort to get together with the Federal Reserve Board, whose assistance I want very much, it would be very useful, but, as I told Sproul, if this thing gets to the people, which it eventually will have to, I think that with the support of the Commander-in-Chief behind me I am afraid the Federal Reserve will suffer. I think the people will back the President and me.

R: Yes.

HMJr: Now I think you people will suffer in this. I think the attitude, as explained by Williams to Bell, that no matter what he would go along with me is the attitude that should be taken by all the presidents of the banks.

R: Yes.

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HMJr: Now I think that attitude, as explained to me by Bell, is the one that should stand.

R: Yes.

HMJr: I have asked both Marriner and Sproul whether I've tried to play politics at any time, and they both told me I haven't. Hello?

R: Yes, I'm here. I'm listening.

HMJr: Now I think that a 9-year record is much better than a 1½-year promise for the future.

R: Yes.

HMJr: Now I would like sometime Monday morning, if possible - if not Monday, the first thing Tuesday morning I would like to meet with the full Federal Reserve Board at the Treasury and with as many of the presidents as they wish to invite.

R: Yes.

HMJr: I'm up here in New York. My wife has had an operation, but I will come down sometime either Monday or Tuesday to suit your convenience, but I'm inviting the full Board plus as many of the presidents as they care to invite.

R: Yes. All right, now. I'll report this to Marriner as soon as he gets back. And how can I get in touch with you?

HMJr: I would like to know the time as soon as possible. I can be reached through the Treasury.

R: All right. We'll get in touch with you.

HMJr: But this is my last effort, and I'm not any more in a bargaining mood. I'm inviting you gentlemen in to help me on my terms, and you've got to help me raise this money. But I want you to know this beforehand. I am no longer in a bargaining frame of mind. I am not going to bargain any longer.

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- R: Yes.
- HMJr: Now Sproul will talk to you, and if there's anything I haven't reported he will tell you about it.
- R: All right.
- Allan
Sproul: Hello.
- R: Hello.
- S: I think the Secretary has reported to you the gist of our conversation. I would say this, however. I think that since the Secretary has asked the presidents of the Federal Reserve Banks to act as chairmen of the District committees that he should have confidence in them as public servants to set up an organization which they could submit to him for approval.
- R: Yes.
- S: On the second thing, which is more personal, I have said to him that after having decided to put in Mr. Gamble as National Director of Sales, and having decided that Mr. Hall cannot be the second man to me in this district, he is making it very difficult for me to go along; that as of today, under those circumstances, I would have to state that I couldn't do it. It might be impossible for me to find a man who would have the experience and training that he should have to really do the work that must be done in this district. It is very difficult, I think, under the circumstances.
- R: You haven't developed a name which would be equally acceptable to both of you?
- S: That's the situation.
- R: Now on the question of the meeting with the Secretary on Monday or Tuesday, I take it that the invitation should be accepted.
- S: Oh, yes.

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- R: Well, we will have to see how many of them we can get together. Does the Secretary have any preference as to Monday or Tuesday?
- S: I think he would prefer Tuesday. (Talks aside to Secretary.) Yes, he would prefer Tuesday if agreeable to you.
- R: Well, I think we would prefer that too, and I'll talk to Marriner as soon as I can get in touch with him. He happens to have left his office, and they don't know where he is. But I will talk to him as soon as possible and then we can call you back and discuss details about the meeting.
- S: All right.
- R: And we'll let the Secretary know - where can he be reached?
- S: (Talks aside to Secretary.) You can reach him through the Treasury switchboard.
- R: All right.

May 22, 1943
2:10 p.m.

Randolph
Paul: Yes.

Operator: Hello.

P: Hello.

HMJr: Yes, Randolph.

P: Bell is still out to lunch. Gaston and John Sullivan are with me.

HMJr: All right.

P: We were - hello?

HMJr: Go ahead.

P: We were excluded - all the experts were excluded as soon as they started a session at 11:00 o'clock.

HMJr: Too bad I wasn't there. They would have let me sit in. I wasn't....

P: (Laughs)

HMJr:an expert.

P: Well, I might have - I think I'm qualified there too. I mean I'm not an expert, any more. But anyway they - they had a session until - oh, I should say about nearly 1:30, and then they came out and announced "no agreement and meet at 10:00 o'clock Monday morning."

HMJr: I see.

P: Now - and then I under - I went back just now. I went to lunch at the Senate restaurant, and I just went back because I forgot my coat, and I found that the Democrats, both on the Senate and the House side, are still in session up there. Now as to what went on, I - I only have two clues, one from Vandenberg and one from Cooper....

HMJr: Yes.

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- P:and that is that they've been discussing the gadget of taking it straight across the board, say 50%, which is what the President does not want, but excluding - but giving forgiveness of the first \$50 of tax.
- HMJr: First fifty.
- P: Yeah - which - which is, of course, no good at all as a scheme. Now Jere Cooper indicated to me that they were discussing that, and I told him he might just as well go to the House bill of 19%, because you can't give forgiveness at the very bottom and also at the very top. That'd just knock the devil out of the middle brackets.
- HMJr: Yeah.
- P: I don't - that's - I guess that's all there is to report.
- HMJr: Well, there isn't much good I can do down there.
- P: I don't see that there's any good. They're - Byrnes - there's no meeting going on at Byrnes'.
- HMJr: I got....
- P: Oh, I know one other thing I wanted to tell you.
- HMJr: Yes.
- P: This is just a surmise, but it is a very curious thing that the Democrats are meeting separately on both sides - I mean the House and the Senate, and they seem to be having quite a long session. They've been on there - they're still - just - when I just left, they're still there.
- HMJr: You mean the Democrats from the Senate and the House are meeting together....
- P: Yes.
- HMJr:or separately?
- P: Together.

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HMJr: Together.

P: You see, usually that - the House groups - the House group meets, Democrats and Republicans, and the - the Senate group meets, Democrats and Republicans, but this is a strange performance of having the Senate and the House Democrat groups meet. And they have been steadily in session, neglecting their lunch and everything else, so they must be having quite a talk.

HMJr: Well, if....

P: Now my surmise, one possible explanation of it, is....

HMJr: Yes.

P:that George did not tell them this morning in the total session about the President's - about what the President would do, and that he's telling these Democrats now.

HMJr: Well, Randolph....

P: Yeah.

HMJr:if there's - if there's something definite, will you try and reach me.

P: Yes, I'll try to reach you. Now - of course, as soon as I can get somebody like Jere on the - Jere Cooper on the phone, I'll be able to get the real - the dope on what went on this morning, but so far he's still in that conference.

HMJr: And you don't think by coming down right now I could help any?

P: I don't see how anything could go on now....

HMJr: All right.

P:because - well, I don't think they're going to have a meeting with Byrnes. They might, but I haven't heard anything about it. Byrnes has said that there's no meeting.

HMJr: Okay.

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P: Is there anything - and do you want to talk to Dan or John or Herb Gaston?

HMJr: I want to talk to Gaston a minute.

P: Just a minute. (Talks aside: He wants to talk to you.)

Herbert
Gaston: Hello.

HMJr: Herbert?

G: Yes.

HMJr: Did you get my conversation?

G: Yes.

HMJr: About - with Ransom? About Sproul?

G: No.

HMJr: You haven't had it?

G: Ah....

HMJr: Miss Chauncey said she gave it to you.

G: A conversation with - with....

HMJr: With - it's with Ronald Ransom this morning.

G: No, I haven't seen that.

HMJr: But Miss Chauncey said she gave it to you.

G: Well, what she gave me was the three Eccles letters. This was a - this was a dictated record of a conversation?

HMJr: Yeah. Well....

G: Well....

HMJr:what's the matter with those people there.

G: Well, unless it was laid on my desk when I was out between one and two, I haven't seen it.

- 5 -

HMJr: Well, look, I'll wait a minute. Can you tell Fitz to send for Miss Chauncey and find out what the hell's she done with it?

G: (Talks aside) Yes. I'm - I'm having him send for Miss Chauncey now.

HMJr: I told them to give it to you, Bell, and Gamble.

G: I - I'll see if Dan has it. (Talks aside: This conversation with Ronald Ransom about Allan Sproul, have you seen it?) No, Dan hasn't seen it.

HMJr: I don't know what's the matter with them.

G: What - what time was that?

HMJr: Oh, around 12:00 - 12:30. I just spoke to her, and she said that she distributed this.

G: Well - I could inquire in my office.

HMJr: Well, wait - it would take too long. It's six pages. It would take too long to read it anyway.

G: Yeah, yeah.

HMJr: Is Bell there?

G: Bell is here, yeah.

HMJr: Well, I'm sorry he hasn't read it because it's got the background, and I've asked the....

G: Well....

HMJr:Federal Reserve - I said I'll - I've invited the Board....

G: Uh huh.

HMJr:and as many of the bank presidents as they want to come to my office either Monday or Tuesday....

G: Oh.

- 6 -

HMJr:and Eccles was to let me know.

G: Oh. Uh huh, uh huh.

HMJr: Gosh, I don't see why that hasn't been distributed. I - I can't....

G: Well, I'll - if you want to talk to Dan now, I'll see what I can do about chasing it down.

HMJr: Where is Chauncey?

G: What?

HMJr: Where is Chauncey?

G: I don't know. Just a moment. (Talks aside: Did you send for Miss Chauncey?) She's coming right now. (Talks aside: The Secretary is asking about a conversation with Ronald Ransom.) She says she has a copy right here. She's going out to get it. Well, this - this arrangement was made with Ransom, was it?

HMJr: Yeah. Where is Chauncey?

G: She just dashed out of the office to get a copy of this.

HMJr: Well, what did she do with it?

G: I - I just don't know. She said - I asked her for it just now, and she said, "I have a copy right out here. I'll go and get it."

HMJr: Well, there's no use giving it now - I mean it's six pages.

G: Oh. Uh huh.

HMJr: I mean - because the thing must have been distributed by noon.

G: Uh huh. Well, I have it right in front of me now.

HMJr: Is Chauncey there?

- 7 -

G: She's here.

HMJr: Let me talk to her.

G: Yeah.

Miss
Chauncey: Hello.

HMJr: Miss Chauncey, what did you do with that statement?

C: Mr. Morgenthau, it was just completed about one minute ago.

HMJr: Well, good heavens, it must have been on the record a long time ago.

C: It was about - Mrs. McHugh started in dictating about ten minutes after one, and the girl started in immediately transcribing it - just finished.

HMJr: Well, all right.

G: There wasn't really any delay about it.

HMJr: All right.

C: Just a minute.

HMJr: Hello.

G: Yes.

HMJr: Well, I - I can't take - I'm sorry - I - I don't understand why it wasn't transcribed, but anyway - is Bell there?

G: He is here. Do you want us to read this thing over and discuss it and call you back?

HMJr: No, I - I'm going to - I'm going to - I'm going to rest. I'm all played out.

G: Yeah. I'll....

HMJr: Is Dan there?

- 8 -

G: I'll put Bell on, yes, right away.

Daniel
Bell: Hello.

HMJr: Dan?

B: Yes, sir.

HMJr: I can't - there's no use in my trying to describe six pages of conversation....

B: No.

HMJr:but the upshot is I invited them to come Monday or Tuesday....

B: Monday or Tuesday?

HMJr:to see them.

B: Invited whom?

HMJr: The Federal Reserve Board and as many bank presidents that they want to come, to my office.

B: I see. All right.

HMJr: I told him they could reach me through the Treasury.

B: All right.

HMJr: Hear me?

B: Yeah.

HMJr: Eccles - but I think you might tell the Treasury when Mr. Eccles calls up they should put him on to you.

B: All right. I'll do that.

HMJr: See?

B: Yeah.

HMJr: And I just....

- 9 -

B: Well, he wasn't there when you called this morning?

HMJr: He wasn't there, and nobody knew where he was, and they wouldn't tell me where he was.

B: (Laughs) Really?

HMJr: That's right.

B: He may have gone away for the week-end.

HMJr: What?

B: He may have gone away for the week-end.

HMJr: No, they said he was in some secret meeting and he'd be back at 12:30.

B: Secret meeting?

HMJr: Well, you'll see the conversation....

B: Yeah. That's something.

HMJr: And his secretary didn't know and Ronald Ransom didn't know.

B: I see. Well, anyway, you said to give him either Monday or Tuesday?

HMJr: I said either Monday or Tuesday, Tuesday preferred, and you might call up his office and say when he's ready to talk you'll take the message.

B: All right.

HMJr: If you don't mind.

B: No, I don't mind. I'll do it.

HMJr: I've just played myself out flat this morning.

B: Well, I'll bet you have.

HMJr: What?

B: I'll bet you have.

- 10 -

HMJr: And they're the most unreasonable, unfair people I've - I think that I've ever had anything to do with....

B: Oh, that's too bad. Didn't get....

HMJr:and....

B:couldn't do anything with them.

HMJr:you'll see it. I read it - and I - I dictated - I spoke to Ronald with this fellow sitting there, and every statement I made he said was true.

B: You mean Allan sat right by you when you talked there?

HMJr: Yeah, and then he got on the phone.

B: Uh huh.

HMJr: And - I did have a satisfactory talk with Burgess afterwards.

B: You did?

HMJr: Yeah.

B: I see.

HMJr: And he said that he - he's going to see me through this thing whatever comes.

B: Well, I think they all will of that type.

HMJr: Well, you let me know later on.

B: All right. How is Mrs. Morgenthau?

HMJr: She's getting along nicely.

B: Well, that's - that's fine. That's one good thing anyhow.

HMJr: All right.

B: Goodbye.

May 22, 1943
3:00 p.m.

Daniel
Bell: Hello. Hello.

HMJr: Dan?

B: Yes.

HMJr: Have you had a chance to read that memo?

B: Yes, sir.

HMJr: Well, that gives you the story.

B: That gives me the story, yeah.

HMJr: Well, could I be any fairer?

B: No, I think that was a very fair statement, and Allan also agreed with everything you'd said.

HMJr: Pardon me?

B: I say Allan told Ronald that you had stated the case....

HMJr: Yeah.

B:which - seemed as though you fellows were on friendly terms....

HMJr: Oh, yes.

B:and....

HMJr: But we didn't get anywhere.

B: You didn't get anywhere. Well, the first part of his - in your conversation you said that Allan had not told you that he would not go along....

HMJr: Yes.

B:but in his conversation with Ronald he said that he didn't know whether he could - he wasn't certain that he could go along on those terms, so it isn't clear. It just....

- 2 -

HMJr: Of course, it isn't.

B: Eh?

HMJr: I couldn't pin him down when he was talking to me. Hello?

B: Yes.

HMJr: Is there somebody on this wire?

B: No, but we've had bad connections before when we had it - we could hardly hear you here on the loud-speaker. I can hear you all right.

HMJr: Well, I can't hear you.

B: No, it wasn't clear just - just what position he is going to take....

HMJr: Well, I....

B:in the end.

HMJr:I can't figure this out. He wouldn't give me a statement if I'd ask him.

B: He would not. I wonder what he was stalling for. Do you think he was stalling that he might want to talk to Marriner?

HMJr: I don't know. He said he talked to Marriner last night. Now I - what I don't think I told you, I had two hours with Randolph Burgess.

B: Yeah, you told me that you'd seen Randolph but you didn't say....

HMJr: And Burgess says that, come what may, he's going to see me through this.

B: Well, I thought he would.

HMJr: See?

B: Yeah.

- 3 -

HMJr: It will be very embarrassing for him, but he'll do whatever I want.

B: That's good.

HMJr: He'll see me through this.

B: Well, we were sitting here discussion - discussing as to the nature of the meeting on Monday or Tuesday, whenever we got it, and whether or not there should be some kind of a program.

HMJr: Well, you saw what I told him.

B: Well, you just said that, "I want a meeting of the Board and as many presidents that can be available."

HMJr: That's right.

B: But you didn't say for what purpose.

HMJr: Well, I told him I'm going to resubmit my memorandum of Friday morning.

B: Going to do what?

HMJr: Resubmit my memorandum of Friday morning.

B: Oh....

HMJr: Hello? Hello?

B: Yes.

HMJr: Resubmit my memorandum of Friday morning. Hello? Hello?

B: Hello. Can you hear me?

HMJr: This wire.

B: Can you hear me?

HMJr: Not very well.

B: Yeah, poor connections.

- 4 -

HMJr: I say I told him I'd resubmit my memorandum of Friday morning.

B: I see. Well, just submit that and nothing else, eh?

HMJr: Yeah, I've got to that point now.

B: Uh huh. And not see if there isn't some basis we can get together on.

HMJr: Well....

B: That's the only basis, I take it.

HMJr: They don't want to - they don't want me to have the veto power and they don't want me to suggest.

B: Well, that's the unfortunate part about your conversations with Allan....

HMJr: Yeah.

B:that he doesn't want you to have the appointive power, and when you exercised the veto power, why, he disagreed with you on that.

HMJr: He doesn't agree with me on - in other words - and they want it just their own - they want it as of March 1.

B: Yeah. Well, I suppose it's....

HMJr: Look, I can't - it's why it's so difficult....

B: It's awful.

HMJr:and I'll - when I come down - I'll be down in plenty of time to talk with you fellows before we go in the meeting.

B: All right.

HMJr: So there's no use in trying to do it on some wire if somebody is listening in.

B: Would you come down - are you coming down anyway Monday, or you won't come down until we have the meeting?

- 5 -

HMJr: I - I won't come down until we have the meeting.

B: I see. Well, I hope I can let you know this afternoon, but I haven't heard a thing so far.

HMJr: Well, I'm going to rest now until five o'clock.

B: All right. Goodbye.

HMJr: Goodbye.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



OFFICE OF THE CHAIRMAN

May 22, 1943.

PERSONAL AND CONFIDENTIAL

Dear Henry:

I hope I may have an opportunity to talk to you again before you announce the appointment of the National Director of Sales.

I realize, of course, that the responsibility for the selection is entirely yours, but the appointment is of such importance to the future success of the war financing and to the relationship of the Federal Reserve System to it that I should like very much to discuss it further with you.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Marriner".

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

✓ 211
5/27

May 22, 1943

TO: HAROLD N. GRAVES
SUBJECT: WEEKLY PROGRESS REPORT FROM WAR SAVINGS STAFF

FIELD DIVISION

Retail Section

Walter Field Company of Chicago, Illinois, with a clientele of over 2,000,000, is advertising Bonds in its seasonal catalogue.

Edison Brothers Stores, Inc., St. Louis, Missouri, sold \$100,159 in Bonds and Stamps in April.

The United-Whelan Flying Fortress Drive, held during April, shows a final total of \$3,326,007.80, enough to purchase over seven Flying Fortresses. Attached is a copy of Whelan's Drive Bulletin. (Attachment #1)

✓
5/22/43

FIELD DIVISION

Retail Section (Continued)

The National Association of Food Chains of Washington, D. C. sold over \$25,000,000 in Bonds and Stamps to their employees and customers in 1942.

During the Second War Loan Drive, Sonnenfeld's, St. Louis, Mo., selected volunteer salesgirls to devote a day to selling Bonds and Stamps. Post cards were sent to customers and friends of each girl and each was featured in advertisements.

Syracuse, N. Y., retailers went over their quota of \$10,000,000 by selling more than \$26,000,000 in Second War Loan Bonds.

Bonwit Teller, New York, sold Second War Loan Bonds totaling \$1,197,653.

The three weeks' drive for a \$10,000,000 goal by the Fur Industry in New York has been successfully concluded.

Employees of Famous-Barr Company of St. Louis, Missouri, have invested \$1,019,031 in War Bonds in sixty-six weeks. The goal now is another \$1,000,000 by New Year's.

Education Section

"The Teacher of English and the War Savings Program", a thirty-page mimeographed bulletin, has been prepared by the National Council for Teachers of English with the cooperation of the Education Section, intended for use in secondary schools and for summer use in curriculum workshops, and is being distributed.

FIELD DIVISION

Education Section (Continued)

A fifteen-page bulletin, "Sharing America, A Musical Pageant", is being prepared for school pageants and sings. It contains narrator's script, production hints, a song list, bibliography of related materials and suggestions for a War Bond auction or sale.

A kit of commencement materials which relates to War Savings is being sent out to those schools which have indicated a desire for it.

Women's Section

A representative of this section will speak before the Foreign Language Group in Pittsburgh, regional conferences in Massachusetts and Connecticut, and the State Federation of Women's Clubs in Vermont.

A special issue of the Campus Clip Sheet, designed for summer sessions, is now in preparation.

To date, 23 colleges with a total enrollment of 16,487 students, have reported Second War Loan sales in Bonds and Stamps amounting to \$436,445.40.

The May issue of the Women's Club News Service is ready for distribution.

At the completion of the College Playwriting Contest Treasury citations were sent out to five winning authors. Plans were discussed for radio and press publicity, and arrangements

FIELD DIVISION

Women's Section (Continued)

are being made for mimeographing and distributing the plays.

A summary of specific ways in which local women's committees can organize War Stamp Corsage activities has been prepared. A Woman's Letter has also been prepared containing data on ready-made corsages, corsage kits, designing and producing original corsages, promotion and publicity.

Recordings of "Mrs. Brown Goes to War" are being distributed.

Motion Pictures and Special Events Section

Up to May 15th, Bomber and Fighter Campaigns have raised \$112,225,000 exclusive of such campaigns conducted during the Second War Loan Drive.

During its five hour tour in Fall River, Massachusetts, the Jap Two-Man Sub sales amounted to \$673,900, averaging \$2,250 per minute.

Special talent booked for the current week includes Bing Crosby, Dinah Shore, Paulette Goddard, Burgess Meredith, Constance Collier, George Jessell, and Constance Bennett. The complete schedule is attached. (Attachment #2)

On Monday night, May 24, the Washington Senators will play the Norfolk Naval Training Station All-Stars Baseball team, with admission by purchase of War Bonds only.

FIELD DIVISION

Motion Pictures and Special Events Section (Continued)

War Bond admission tickets to the Ringling Bros. Circus, during its stay in New York, accounted for \$6,977,200 in War Bond sales.

The "Truth or Consequences" War Bond broadcast from Portland, Oregon, on Saturday, May 15, resulted in the sale of \$109,915,391.50, which tops all figures for any War Bond benefit to date. It was booked through this Section.

The Boys' and Girls' 4-H Clubs of Georgia have purchased \$2,605,363 worth of "E" Bonds for the "Name A Liberty Ship" campaign. The ship will be named "Hoke Smith", after the late Governor of Georgia.

On May 27, North American Aviation, Inc., in conjunction with the War Activities Committee of the Motion Picture Industry and the War Savings Staff, will launch a Bond campaign in theatres that are Bond issuing agencies entitled "Send Your Name to War." Further information on this special campaign which is to run as long as results justify, is attached. (Attachment #3)

Payroll Savings Section

Attached is a list of companies which have reported reaching 10% during the past week. (Attachment #4)

The Analysis of Exposure to Payroll Savings Plans is attached. (Attachment #5)

FIELD DIVISION (Continued)Agricultural Section

Agricultural Deputy Administrators from New York, North Carolina, Indiana, Texas and Montana met this week in Washington to plan future promotional material to be released by the Agricultural Section in support of state War Savings educational programs. Materials studied and prepared included leaflets, posters, easels, radio announcements, skits, advertisements, and press releases.

Three "yardsticks" are being suggested by the Ohio War Savings Staff to help farm people determine how much they should invest in War Bonds in 1943. If farm people of Ohio were to invest the added profits they may expect to receive in 1943 due to the war, investments would be at the rate of about \$3.90 an acre. If they spent as much for Bonds in 1943 as they did for new buildings and equipment in 1941, they would invest in Bonds as depreciation reserves at the rate of about \$3.75 an acre. Finally, if they do no more than purchase their share of the War Bonds allotted to Ohio, they would invest at the rate of \$2.93 an acre.

Field Memoranda

Recent memoranda sent to the field include numbers 612 and 613. (Attachment #6)

PRESS, RADIO AND ADVERTISING DIVISION

Radio Section

Constance Bennett will act as Mistress of Ceremonies to introduce the musical portion of the "Saturday Night Bondwagon" over the Mutual Network, May 22nd, 10:15 - 10:45 P.M.

Guy Lombardo, Horace Heidt, Tommy Dorsey, and Little Jack Little and their orchestras are continuing their regular War Bond broadcasts.

A second "Four Freedoms War Bond Show" will be heard over the Blue Network Thursday, June 3, 10:30 - 11:30 P.M. in connection with the exhibit of Norman Rockwell's paintings at the International Building in Rockefeller Center, New York.

The "Buy-A-Tank" Committee of the Blue Network announced that \$119,150 in War Bonds have been purchased in the Network's current personnel Bond drive.

Admission to a violin concert by Jack Benny July 4th at the Hollywood Bowl will be by War Bond purchases.

Advertising Section

An analysis of tabulations of Second War Loan advertisements made by the Advertising Checking Bureau, Inc. is attached. (Attachment #7)

Of a total of 40,774 Second War Loan advertisements carried in daily and Sunday newspapers, 62.3% of the total lineage was material furnished by the Treasury Department. The daily and

PRESS, RADIO AND ADVERTISING DIVISION

Advertising Section (Continued)

Sunday newspaper lineage totalled 30,585,481 lines at a value of \$3,362,890.92. The 33,164 weekly newspaper advertisements totalled 42,048,321 lines valued at \$1,201,380.60. The total for both daily and weekly newspapers was 73,939 advertisements, totalling 72,633,802 lines at a value of \$4,564,271.52.

Outdoor advertising War Bond posters during the Second War Loan period were placed on 7,254 panels at a space value of \$181,350, and in addition 8,089 Second War Loan posters with a space value of \$202,225 were used. A total of 84,000 car cards with an approximate space value of \$100,000 were placed and 4,000 tear-sheet posters with an approximate space value of \$15,000 were placed during the period.

Forty-six leading magazines, including LOOK, NEWS-WEEK, LIBERTY, etc., have already filed their orders for plate material from the recently issued magazine portfolio.

During the week of May 10 we received 112 War Bonds ads and mentions in seven top weekly magazines. Attached is a list of the advertisers and publications. (Attachment #8)

Production has already started for a distribution of 24-sheet outdoor posters to tie in with the new phase of the Payroll Savings Plan. In addition, arrangements have been made to carry 19,000 car cards in twenty-four key cities to tie in with this program.

PRESS, RADIO AND ADVERTISING DIVISION

Advertising Section (Continued)

Attached is a portfolio prepared by the Sunset Advertising Company of Seattle, Washington, which reviews the program of cooperation for that company. (Attachment #9)

Attached are photos of two mammoth War Bond bulletins displayed in Montgomery, Alabama. (Attachment #10)

Press Section

Attached is the June Company Publications Press Book, containing features, cartoons, pictures, editorials, information for editors and fillers. (Attachment #11)

Included in the attached picture page, just released, are special pictures for Memorial Day, Flag Day, and Father's Day, as well as other War Bond pictures. It went to all dailies and mat-using weeklies. (Attachment #12)

The May 15 issue of THE SATURDAY EVENING POST devotes a considerable portion of a major article to War Bond purchases. (Attachment #13)

Releases made this week include #335, dealing with the Secretary's announcement of the results of the Second War Loan advertising campaign, and #334 dealing with sales of "E" Bonds to date. (Attachment #14)

The April issue of CONGRATULATIONS carries a full page War Bond spread. (Attachment #15)

NATIONAL ORGANIZATIONS DIVISION

Labor Section

Members of the Street Car Men's Union, Local No. 241, have received a wage increase granted by the War Labor Board, and arrangements are being made to have them invest part of their back pay in War Bonds.

A representative of this section addressed the annual convention of the Rhode Island State Federation of Labor May 15.

The Texas and Pacific Railway Company shops at Marshall, Texas, are investing 11% of gross pay in Payroll Savings.

Foreign Origin Section

A representative of this section addressed the "I Am An American" Day celebration in Los Angeles, sponsored by 21 foreign origin groups, at which over \$1,000,000 in War Bonds were sold.

Some 240 foreign origin groups have been asked by this Section to hold War Bond rallies on Flag Day.

Inter-Racial Section

A representative of this section addressed a meeting of the Chefs, Cooks, Pastry Cooks and Assistants Union, in New York, which is investing \$100,000 in War Bonds. The section was also represented by speakers at joint sessions of the Washington Annual Conference at Lynchburg, Va., and the Seventeenth Annual Session of the United Baptist Missionary and Auxiliaries of

NATIONAL ORGANIZATIONS DIVISION

Inter-Racial Section (Continued)

Maryland, at Baltimore, as well as other meetings.

Fraternal Section

Incomplete returns from the Knights of Columbus War Bond Campaign show War Bond sales, as of May 10, of \$60,104,292. Forty-two jurisdictions have now exceeded their state quotas.

War Bond sales of \$394,325 were reported by B'nai B'rith Lodge, Worcester, Massachusetts, in their April drive. A consolidated report of the New England Zionist Districts show April War Bond sales of \$1,018,375.

Since January, 1943 the 20,000 members of the Masonic Lodge of the District of Columbia have purchased \$1,418,769.75 worth of War Bonds.

The American Legion of Indiana is sponsoring a May War Bond Campaign with a goal of \$22,000,000. The campaign opened May 6.

The Florida State Lions Convention at Mount Dora purchased \$145,200 worth of War Bonds.

The Lions Club of Grand Rapids, Michigan, inaugurated a War Bond campaign last July, with a goal of \$1,000,000. On May 2, the drive was over the top by \$631,680.

In Newark, New Jersey, the Rotary Club has expanded its current War Bond Campaign to finance additional equipment for armed forces.

OFFICE OF THE EXECUTIVE DIRECTOR

Promotional Research Section

This section handled the measuring, tabulating, and analysis of Second War Loan advertising in weekly papers, a study which involved 33,164 ads containing 42,048,321 lines appearing in 7,735 weeklies.

Attached is the analysis of newspapers using the carrier plan compiled as of May 20,1943. (Attachment #16)

PARAPHRASE OF TELEGRAM RECEIVED

223

FROM: American Embassy, Chungking
To: Secretary of State, Washington
DATED: May 22, 1943
NO.: 754

SECRET
CONFIDENTIAL

In connection with the following message please make reference to the Embassy's wire of April 1, 1943, no. 649, and the Department's previous wire of May 19, 1943, no. 637, which has just been received.

First. A note from the Foreign Office dated May 19, 1943, has just been received by the Embassy. This note communicated "provisional regulations" of the Ministry of Finance which provide for the extension of favorable treatment to the Consulates and Embassies in connection with the conversion of foreign exchange into national currency for the purpose of meeting their expenses. The following provisions are made:

1. The conversion of foreign exchange into Chinese national currency for the duration of the war by foreign consular and diplomatic offices for their expenditures will be made at the established rate and in addition there will be paid an amount equivalent to 50% of the proceeds of dollars.
2. The foreign exchange which is received from foreign consular and diplomatic offices will not be credited to the account of the Stabilization Board of China but instead will be put in a separate account with the Central Bank.
3. The Central Bank will temporarily advance the national currency needed for the foreign exchange converted by the foreign consulates and embassies and it will be set off against the said foreign exchange. Settlement of the account will be made as soon as the war is over.
4. Upon the basis of certifications contained in official letters from the Embassies concerned, the conversion of the foreign exchange mentioned above will be carried out by the Central Bank.
5. The Central Bank of China will list each month in a table the amounts of the conversions of the foreign exchange to convert the expenses of the various consulates and embassies in China and the Central Bank will separately report these amounts to the Ministry of Finance and the Stabilization Board for reference. The various consulates and embassies in China will apply directly to the Central Bank of China whenever they require foreign exchange and that bank will make payment in foreign exchange at the same rate at which foreign exchange is received (by the bank from the embassies). The Central Bank shall enter such transactions into the account under an appropriate heading for calculation.

It is stated by the note that the regulations are to be implemented "from May of this year" and it is requested that figures be submitted as to the amounts of foreign exchange desired monthly by the embassy.

Second. The Embassy is refraining from taking any action conformable to the Foreign Office note in view of the Department's wire of May 19, 1943, no. 637, and in view of the ambiguity of the third article of the regulations. Prior to the receipt of the Department's wire no. 637, I had arranged to see Dr. Kung today or the purpose, among other things, of seeking a clarification of the regulations. In the absence of affirmative instructions, I shall refrain, of course, from discussing with him the subject of the Department's wire no. 637.

Third. Incidentally, it may be added that while the ambiguity of the third

article is assumably designed to meet the objection of the Finance Ministry to a "special rate" and foreign objection to a "subsidy" for diplomatic establishments, we have received the impression from conversations with several foreign diplomatic representatives that they will hesitate to accept the arrangements until the language of article three is modified appreciably or supplemented by written assurance that it does not create any financial obligation on the part of foreign governments but is only a matter of mechanics between the Finance Ministry and the Central Bank.

Fourth. Will you kindly refer to the message which Adler sent to the Treasury on this day's date which, among other things, dealt with arrangements made for increased exchange for organizations of a relief, missionary, educational and philanthropical nature.

ATCHESON

eh:copy
-26-43

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: May 22, 1943, 10 a.m.

NO.: 788

This is a message TF 122 from Mr. Adler for the Secretary of the Treasury referring to Department's no. 887, dated May 8, and Embassy's TF 120, dated May 12.

I. The Ministry of Finance has given the Board official notice that the Central Bank has been instructed to arrange for foreign embassies and consular bodies to receive the official rate of exchange plus 50 percent and to make this retroactive to May 1.

II. Dr. Kung, when I saw him on May 19, told me about his interview with foreign missionary and philanthropic organizations in Chengtu, during which it appears he gave assurance he would match foreign contributions for famine relief and would grant the official rate plus 50 percent for foreign missionary philanthropic and educational expenditures. This arrangement, he said, and the one for embassies and consulates did not mean that special rates were being established for special purposes, nor did they mean that subsidies were being granted. No matter how the arrangement is camouflaged, however, it would appear that they actually are special rates for special purposes even though not called this. Until there is further clarification, however, their status will be ambiguous.

III. The Board has as yet had no official notice, but I understand that instructions concerning the arrangement regarding foreign missionary philanthropic and educational organizations have already been received by the Central Bank.

IV. I feel that your attention should be called to one aspect, namely that the arrangement with respect to foreign embassies and consular bodies does not involve large amounts of foreign exchange and can be looked upon as an exceptional case, but the arrangement with respect to missionary philanthropic and educational organizations will involve a substantial amount of foreign exchange. It would seem an encroachment on the effective functioning of the board to have this amount of foreign exchange accrue solely to the Central Bank, as it will under the proposed arrangement. As long as nothing better could

be

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be proposed, of course, no objection could be made to granting foreign missionary philanthropic and educational organizations the official rate plus 80 percent, but there are reasons for preferring an arrangement which would accomplish this purpose while still continuing to keep the board as the recipient of foreign exchange from remittances to foreign missionary philanthropic and educational organizations. For this reason, I would appreciate it if you could advise me of Treasury's attitude in regards to the proposed arrangement before the subject is formally brought before the board.

ATCHESON

OFFICE
SECRETARY OF TREASURY

1943 MAY 24 AM 10 15

COPY NO. 13BRITISH MOST SECRET TREASURY DEPARTMENT
U.S. SECRETOPTEL NO. 167

Information received up to 7 A.M. 22nd May 1943.

1. AIR OPERATIONS.

Western Front. 20/21st. 17 aircraft laid 80 seamines. Intruders damaged 13 locomotives, destroyed an enemy aircraft and damaged another. 1 Intruder missing. 21st. 45 U.S. Fortresses dropped 138 tons from 22000 feet on Steel Works at Emden. 77 U.S. Fortresses dropped 203 tons on Wilhenshaven Naval Dockyard from similar altitude. Result in both instances are reported as 'Fair'. Out of 160 Bombers despatched 12 are missing. 21st/22nd. Aircraft sent out. Berlin 4, Anti Shipping 5, Intruders 24, Sea-mining 104, 4 missing. Preliminary Reports. A 3,000 ton ship seriously damaged and 2 armed trawlers sunk off Cherbourg. 279 Sea Mines were laid. 11 Enemy Aircraft operated over South Eastern Counties, 1 was shot down by Fighters. A few bombs were dropped at Dover and in the South Eastern Suburbs of London.

North West Africa 19th/20th. 12 enemy aircraft attacked Oran where a ship was set on fire and Irzeu where another ship was hit.

Sardinia and Sicily. 19th. A total of 90 escorted Mitchells and Marauders were sent to attack Sardinian airfields at Milis, Villacidro Monseratto and Elmas and the harbour and city of Cagliari. Fires were started among numerous aircraft on the ground. In Sicily the airfield at Trapani was attacked by 24 Fortresses and was well covered with fragmentation bombs. Casualties for the day Enemy 29.12.6. Allied 6.Nil.2. 19th/20th. 19 Wellingtons bombed 2 Sardinian Airfields. 20th. 60 Fighter Bombers and escorted Mitchells attacked Sardinian objectives including a dam near Sassari, Airfields at Milis and Villacidro, Barracks at Bonorva and railway communications. Casualties. Enemy 9.1.3 in fighting and 3.0.12 on the ground. Allied Nil.

BRITISH MOST SECRET
U.S. SECRET

OFFICE
SECRETARY OF TREASURY

OPYEL No. 170

1943 MAY 26 AM 11 46

Following is supplementary resume of operational events covering the period 15th to 22nd May, 1943.

TREASURY DEPARTMENT

1. NAVAL

MURNBERG and KOLN have been located at KIFL. SCHEER has left SWINEMUND but probably remains in the BALTIC. On 21st HIPPER was seen at PILLAU and GNEISENAU, PRINZ EUGEN and EMDEN at GDYNIA.

MEDITERRANEAN. Destroyer and light craft patrol report practically no enemy shipping in Tunisian waters. Prisoners have been taken off ZEMRA and PLANA Islands which have been occupied, as well as GALITA, the last named by the French. H.M. Submarines report 4 small ships sunk, probable hits on one large and one small merchantman. Discharge of a general cargo of 22,532 tons was completed at MALTA on 14th. The cable between MALTA and TRIPOLI has been restored.

SUBMARINE WARFARE. Spirited action by escort groups has enabled two ocean convoys to resist heavy U-boat attacks with conspicuous success. During the week 85 ships in 3 ocean convoys arrived in Home Waters without loss. Week ending 19th, 65 attacks on U-boats. 8 promising attacks of which 4 by H.M. surface craft.

SHIPPING CASUALTIES. During week 15th/21st inclusive, 10 ships were reported to have been torpedoed - 1 British ship in outward bound convoy off GREENLAND, 1 British ship in mid-ATLANTIC in outward bound convoy, 1 British ship in the FREETOWN area, 1 British ship and 1 U.S. ship (the latter reached port safely) in S. ATLANTIC, 2 U.S. ships (1 a large tanker) in the PACIFIC, 1 British ship in the INDIAN OCEAN and in the MEDITERRANEAN 2 British ships in convoy (1 of which reached ALGIERS). In addition a British ship was damaged by a mine and a Dutch ship by aircraft off YARMOU and 2 British ships were damaged by aircraft in MEDITERRANEAN ports. 7 U.S. ships reported overdue at different dates are now presumed sunk through enemy action and a U.S. ship is overdue at FREEMANTLE since 9th.

TRADE. Imports in convoy into United Kingdom week ending 15th - 896,000 tons of which 228,000 oil.

2. MILITARY

TUNISIA. Once enemy Commanders had surrendered the Axis troops appear to have had little desire to continue fighting and after 9th when a hard battle was fought in the HAMMAN LIF area the rank and file surrendered in large numbers. Action by armoured division in cutting off neck CAP BON Peninsula probably shortened campaign by some weeks as enemy might have held good defensive position here. Axis emphasis on "last man last round" defence not true. Estimated figures from EL ALAMEIN to end of campaign inclusive:

- (1) Prisoners of war
- | | |
|---------|---------------------------------|
| German | 140,000 (including some G.A.F.) |
| Italian | 150,000 |
| Total | 290,000 |
- (2) Axis Divisions represented by above losses (approx.)
- | | |
|---------|----------------------|
| German | 11 (3 Armd., 2 Flak) |
| Italian | 14 (3 Armd.) |
| Total | 25 (6 Armd) |
- (3) Tanks and Guns (approx)
- | | |
|----------------|----------------------------------|
| (a) Tanks | 1,100 (of which over 50% German) |
| (b) Guns | |
| Field & Medium | 950 |
| Anti-Tank | 1,500 |
- (4) Killed and Wounded
- | | |
|---------|--------------------------------|
| German | 55,000 (including some G.A.F.) |
| Italian | 35,000 |
| Total | 90,000 |

Headquarters 18th Army Group, having served the purpose for which it was formed in February, closed down at midnight 15th May and became merged in Allied Force Headquarters.

BURMA. ARAKAN. Further details now available of enemy operations in first half of May which resulted in our withdrawal from BUTHIDAUNG and MAUNGDAW. On 3rd these places were covered by 2 Brigades west of MAYU RIDGE, one Brigade east of MAYU RIDGE, and 1 Battalion on the ridge, with 2 Brigades guarding L. of C. The Japanese then had one regiment west of the ridge and approximately 2 Battalions engaging 55th Indian Brigade east of the ridge as well as 2 other battalions unlocated somewhere on the ridge. It was impossible to stop parties of the enemy infiltrating northwards along the ridge between 7/15th Punjab Regiment on the ridge and 55th Indian Brigade owing to thick jungle. These parties were at first small in number but late on 4th were reinforced. There is no doubt that the enemy in this area were the two unlocated Battalions and the Japanese eventually developed a strength of some 1,500 astride the BUTHIDAUNG-MAUNGDAW road by infiltration methods. Orders were given for BUTHIDAUNG to be held and arrangements were made for a counter attack by brigades from L. of C. protection duties. This failed to restore the situation owing largely to the inferiority of the attacking brigade vis a vis the Japanese as Infantry soldiers in this type of country. This failure necessitated the evacuation of BUTHIDAUNG and the withdrawal of 55th Indian Brigade which took place on 7th. The desirability of holding MAUNGDAW was appreciated but in view of the weak eastern flank of the MAUNGDAW position and the ease with which its lines of communication could be cut from East, also the very weak strength of formations due to the high sick rate from malaria, as well as the difficulties of reinforcement, it was decided not to hold it. Eastern Army therefore issued orders only to hold MAUNGDAW long enough to enable the evacuation of all stores to be carried out. This evacuation was reported complete by night 11th/12th and withdrawal began on 12th. Both sides have since been regrouping their forces in new positions. Japanese are digging around BUTHIDAUNG and have sent patrols northwards. They are believed to have 5 or 6 battalions in front line but most of them are under strength.

3. AIR OPERATIONS

WESTERN FRONT. Night. 561 Sorties, 13 aircraft missing. Out of the 19 Lancasters from a squadron specially trained for the operation and each carrying 9,000 lb. mine carried out completely successful attack on the MOHNE and EDER Dams. The SORPE dam was also attacked, owing to different method of construction was not expected that this could be breached immediately, but it was hoped shock would produce seepage and ultimate collapse. Dam was hit and seepage appears to have begun. If dam collapses all the results of the destruction of the MOHNE dam will be greatly increased. Seaming was also carried out on fairly extensive scale during week.

Day. From 13th to 19th inclusive U.S. 8th Air Force carried out 12 separate attacks employing 973 bombers. About 75% of them attacked the objective dropping 1,574 tons of H.E. Losses averaged approximately 3.5% of force despatched. On one occasion a strong force sent to bomb WILHELMSHAVEN found weather unfavourable and attack was switched to HELIGOLAND where severe damage was done to barracks and the Naval Signal Station. Enemy more active than usual but in no strength. Total of about 115 aircraft operated and 4 nights in succession attempts were made to reach LONDON. Some damage caused at CARDIFF. Enemy losses 9, 1, 2. Ours nil.

MEDITERRANEAN Area. Extensive air operations as reported in daily OPTELs.

RUSSIA. Russian Air Force reduced their bombing against enemy railway communications and air fields. WARSAW bombed and a number of trains reported hit. German Air Force attacked the Russian railway system behind the front especially in the DONETS Sector. Canon aircraft have been used apparently successfully against Russian landing craft off the KUBAN Peninsula.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF ALLIED AIR ATTACKS FROM UNITED KINGDOM BASES

DORTMUND. Photographs 13th show heavy damage in centre and around harbour. Many important works involved and on East side of canal harbour and industrial area of 45 acres devastated.

DUISBURG. Photographs 13th show further considerable damage particularly around main railway station which has received a number of direct hits. Considerable fire damage probably in HAMBORN area. Severe damage Babcock and Wilcox factory, a bridge over Ruhr collapsed from direct hit and main building of Speldorf railway station burnt out.

BOCHUM. Widespread damage mostly by fire and worst in town centre. Severe damage in Versingte Stahlwerke and other important industrial damage. About 12 acres of business and residential property devastated near main railway station of which four direct hits.

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KIEL. U.S. day attack. Photographs 2 days later show very heavy damage both from H.E. and incendiaries. Almost every building in Germania yard reveals some trace of damage. Deutsche Werke also heavily hit and naval Arsenal.

STRADE/HOLTON. Considerable damage to chemical works and synthetic oil plant confirmed by photographs.

THONVILLE. Mosquito day attack. The 3 main buildings of the railway works shops damaged extensively.

NEULTE. U.S. Day attack. Main assembly shed Potez air frame factory damaged and large part of sub-assembly shop demolished. Aircraft hangars three-quarters wrecked.

BORDEAUX. U.S. Day attack. Gate of one lock damaged and basin is low tidal. At least 8 direct hits on Matford Aerc Engine Works. Reported that 2 U-boats lying alongside in basin were damaged.

ANTWERP. U.S. day attack 14th. Photographs same day show that main building of Ford has had several direct hits causing heavy damage. General Motors shops have sustained severe damage to roofs and upper storeys.

5. HOME SECURITY

Estimated civilian casualties week ending 19th - killed 28, seriously wounded 366 including fatal casualties - TYNESIDE 103, CARDIFF 38.

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OFFICE
SECRETARY OF TREASURY
NOT TO BE RE-TRANSMITTED

1943 MAY 24 PM 12 55

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

TREASURY DEPARTMENT

CPTL NO. 168

Information received up to 7 a.m., 23rd May, 1943.

1. NAVAL

On 22nd, Aircraft from one of U.S. Escort Carriers, escorting outward convoy in Mid Atlantic, sank one U-Boat, from which survivors were picked up, damaged another and possibly damaged a third.

2. AIR OPERATIONS

WESTERN FRONT. 22nd. A Mosquito and two Mustangs damaged 12 locomotives in the BORDEAUX and ENNES Areas. 22nd/23rd. Aircraft despatched: Intruders - 11, Anti Shipping - 4.

ITALY. 20th. Fortress dropped 90 tons on GROSSETO Airfield, bursts being seen all over the airfield especially among concentrations of aircraft. 21st. Liberators attacked the ferry Termini at REGGIO DI CALABRIA and SAN GIOVANNI, dropping 64 tons on the former and 60 tons on latter. The Ferry berths and railway yards were hit and a large ship damaged.

SICILY. 20th/21st. Liberators dropped 16 tons on the Ferry Terminus at MESSINA. Naval Albacores attacked and set on fire a 4,000 ton ship off the Southwest Coast.

SARDINIA. 20th. Medium bombers attacked the airfields at ALGHERO and DECIMO MANNU, destroying or damaging a large number of aircraft on the ground.

MALTA. 21st. About 36 escorted P.W. 190's approached the island but only a few crossed the coast, 4 of our aircraft were destroyed on the ground at HAL FAR. Casualties in the air: Enemy 2, 0, 5. Ours - 1 lost through engine trouble, pilot safe.

BURMA. 19th. Liberators dropped 52 tons on MAGWE and 30 tons on oil installations at THAYETHAYO, 160 miles east-southeast of AKYAB. 20th. Heavy and Medium bombers dropped 80 tons on towns on the IRRAWADDY. 2 Liberators bombed a 3,000 ton ship off the ANDAMAN ISLANDS, the crew abandoned ship.