

DIARY

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June 11, 1943  
11:59 A. M.

Daniel  
Bell:

Hello.

HMJr:

Yes.

B:

Good morning.

HMJr:

Good afternoon.

B:

(Laughs) Good afternoon. I wanted you to hear Chic's report of the President's press conference....

HMJr:

Yes.

B:

....and it's just now beginning to come over the ticker, so I'll let him tell you the story from his notes.

HMJr:

All right.

B:

And then I'll tell you about my talk with Hemingway.

HMJr:

All right.

Chic  
Schwarz:

Good morning, Mr. Secretary.

HMJr:

Hello.

S:

The President said that he did not intend to ask for compulsory savings when the question was asked, "Then you do not intend to ask for compulsory savings?" He said, "Certainly not." Then he said, "We were also talking about the inflationary gap. It's perfectly clear that as far as we possibly can, we want to close that gap, but not necessarily with compulsory savings. I'm sorry if I gave that impression." He said, "That at the present time the public has been supporting the Bond Drive and making it a great success."

HMJr:

Chic, will you wait a minute?

S:

Yes, sir.

HMJr:

You read it and I'll repeat it word by word. What did the President say?

S: At the present time .....

HMJr: Well, what was the question?

S: The first one?

HMJr: Yeah. But start all over again.

S: Oh. If you like I'll read the - the whole thing. I was trying to give you the high spots first.

HMJr: Well, I'll - you read it sentence by sentence and the boys here will take it down.

S: All right. Earl Godwin said, "There seems to be some confusion .....

HMJr: There seems to be some confusion. This is Earl Godwin.

S: That's right. As to what you said.....

HMJr: As to what you said.

S: ....at your last conference....

HMJr: At your last conference.

S: ....and intended with regard.....

HMJr: And intended with regard.

S: ....to compulsory savings.

HMJr: To compulsory savings.

S: Then he asked the question: "Do you intend.....

HMJr: Do you intend.....

S: .....to ask for compulsory savings?

HMJr: ....to ask for compulsory savings?

S: The President's answer.....

HMJr: The President.....

S: ..... "I think you hit it on the head, Earl.....

HMJr: ... "I think you hit it on the head, Earl.....

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S: ....I think there was some confusion.....

HMJr: ....I think there was some confusion.....

S: ....period. "I was talking about....."

HMJr: ....I was talking about.....

S: ....the theory of taxation....

HMJr: ....the theory of taxation....

S: ....period...."

HMJr: ....period....."

S: "....It is perfectly clear....."

HMJr: "....It is perfectly clear....."

S: .....that the House itself ....

HMJr: .....that the House itself.....

S: .....must initiate tax legislation.

HMJr: ....must initiate tax legislation.

S: Period.

HMJr: Period.

S: "....I was asked if....."

HMJr: "....I was asked....."

S: .....compulsory savings.....

HMJr: .....I was asked if compulsory savings....

S: .....may still be necessary....

HMJr: ....may still be necessary.....

S: ....to eliminate .....

HMJr: ....to eliminate .....

S: ....the inflationary gap.....

HMJr: ....the inflationary gap.....

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S: ....and I replied.....

HMJr: ....and I replied.....

S: ....that it was possible.

HMJr: ....that it was possible.

S: ...period.

HMJr: ...period.

S: Any kind of taxes are possible....

HMJr: Any kind of taxes are possible....

S: ....we talked about a sales tax also....

HMJr: ....we talked about a sales tax also....

S: ....It is also obvious.....

HMJr: ....it is also obvious.....

S: ....that I said.....

HMJr: ....that I said.....

S: ....taxes and compulsory savings.....

HMJr: ....~~taxes~~ taxes and compulsory savings.....

S: ....dash....

HMJr: ....dash....

S: ....taxes being many forms - dash....

HMJr: ....taxes being many forms....

S: ....could be used jointly.

HMJr: ....could be used jointly.

S: Period. At the present time ....

HMJr: At the present time....

S: ....the public has been.....

HMJr: .....the public has been.....

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S: ....supporting the Bond Drive.....

HMJr: ....has been supporting the Bond Drive....

S: ....and making it a great success.

HMJr: ....and making it a great success.

S: Period. The last one was over-subscribed....

HMJr: The last one - (talks aside) Go ahead.

S: (Talks aside: They're taking it down)

HMJr: ....the last one was over-subscribed.....

S: ....by more than four or five billion.....

HMJr: ....by more than four or five billion.....

S: ....period. As long as this is continued....

HMJr: As long as this is continued....

S: ....as Chairman George has expressed it....

HMJr: ....as Chairman George has expressed it....

S: ....there is no need for compulsory savings....

HMJr: ....there is no need for compulsory savings.... Whoopee!

S: ....then (laughs) then here's the next question.

HMJr: What's that?

S: Then here's the question.

HMJr: Question.

S: Then you do not intend to ask for compulsory savings?

HMJr: Then you do not intend to ask for compulsory savings?

S: The answer: "Certainly not."

HMJr: Answer: "Certainly not."

S: I was talking about the inflationary gap.

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HMJr: I was talking about the inflationary gap.  
S: Period.  
HMJr: Period.  
S: It is perfectly clear....  
HMJr: It is perfectly clear....  
S: ....that as far as we possibly can....  
HMJr: ....that as far as we possibly can....  
S: ....we want to close that gap....  
HMJr: ....we want to close that gap....  
S: ....not necessarily....  
HMJr: ....it is not necessarily....  
S: ....with compulsory savings.  
HMJr: ....with compulsory savings.  
S: Period.  
HMJr: Period.  
S: I - I am sorry if I gave that impression.  
HMJr: I am sorry if I gave that impression.  
S: Period.  
HMJr: Period.  
S: My notes showed....  
HMJr: What's that?  
S: My notes.....  
HMJr: My notes.....  
S: ....showed.....  
HMJr: ....showed.....  
S: ....that it could be construed that way....

HMJr: ....that it could be construed that way....

S: ....and on the other hand....

HMJr: ....and on the other hand....

S: ....it could be construed....

HMJr: ....it could be construed....

S: ....as I meant it.

HMJr: ....as I meant it.

S: The next question:

HMJr: Question:

S: Your budget message, Mr. President....

HMJr: Your budget message, Mr. President.....

S: ....asked for....

HMJr: ....asked for....

S: ....taxes....

HMJr: ....taxes....

S: ....and savings....

HMJr: ....and savings.....

S: ....or both.

HMJr: ....or both.

S: What kind of legislation....

HMJr: What kind of legislation....

S: ....would you suggest for that?

HMJr: ....would you suggest for that?

S: The answer:

HMJr: Answer:

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S: Various kinds.  
HMJr: Various kinds.  
S: The question:  
HMJr: Question:  
S: You couldn't have legislation for voluntary savings, could you?  
HMJr: You couldn't have legislation for voluntary savings, could you?  
S: The answer was:  
HMJr: Answer:  
S: "Perfectly possible."  
HMJr: "Perfectly possible."  
S: The ques - question:  
HMJr: Question:  
S: "Will you comment on the reports.....  
HMJr: "Will you comment on the report.....  
S: ....that it was suggested.....  
HMJr: ....that it was suggested.....  
S: ....at yesterday's meeting.....  
HMJr: ....at yesterday's meeting.....  
S: ....that withholding.....  
HMJr: ....that withholding.....  
S: .....might go as high as 40%?  
HMJr: .....might go as high as 40%?  
S: The answer: "No".  
HMJr: Answer: "No".

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S: Question:

HMJr: Question:

S: How would you close that inflationary gap?

HMJr: How would you enclos... - how would close....

S: ....that inflationary gap.

HMJr: ....that inflationary gap?

S: The answer:

HMJr: Answer:

S: "It is up to Congress ....

HMJr: "It is up to Congress.....

S: ....I may send up a message....

HMJr: ....I may send up a message....

S: ....and the Treasury will have a dozen different ways.....

HMJr: ....and the Treasury will have a dozen different ways.....

S: ....available.

HMJr: ....available.

S: The next question:

HMJr: Question:

S: "Would the amount....

HMJr: "Would the amount....

S: ....raised.....

HMJr: ....raised....

S: ....by voluntary savings....

HMJr: ....by voluntary savings....

S: ....have an effect.....

HMJr: ....have an effect.....

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S: ....on your request.....

HMJr: ....on your request.....

S: ....to Congress?"

HMJr: ....to Congress?"

S: The answer is: "Yes".

HMJr: Answer: "Yes".

S: Question:

HMJr: Question:

S: "Would your estimate of \$16 billion.....

HMJr: "Would your estimate of \$16 billion.....

S: ....for the inflationary gap....

HMJr: ....for the inflationary gap....

S: ....in January....

HMJr: ....in January....

S: ....have gone up now?

HMJr: ....have gone up now?

S: The answer:

HMJr: Answer:

S: "It has widened a little bit....

HMJr: "It has widened a little bit....

S: ....but it is threatened more...

HMJr: ....but it is threatened more...

S: ....by some proposals....

HMJr: ....by some proposals....

S: ....for further inflation.

HMJr: ....for further inflation.

S: Dash .....

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HMJr: Dash....

S: ....for increases in wages....

HMJr: ....for increases in wages....

S: ....and farm prices....

HMJr: ....and - in farm prices?

S: And....

HMJr: ...and farm prices.

S: ...and farm prices.

HMJr: Yeah.

S: And the next question:

HMJr: Question:

S: "Then your sixteen billion dollar figure....

HMJr: What's that?

S: ...then your sixteen billion dollar figure....

HMJr: ...then your sixteen dollar - billion dollar figure....

S: ....might go up?

HMJr: ....might go up?

S: The answer:

HMJr: Answer:

S: "That I don't know.

HMJr: "That I don't know.

S: You will have to wait a bit.....

HMJr: You will have to wait a bit....

S: ....a small portion of it....

HMJr: ....a small portion of it....

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S: ....was closed the other day....

HMJr: ....was closed the other day....

S: ....when I signed the nex tax bill."

HMJr: ....when I signed the new tax bill."

S: That's about all of it.

HMJr: How did you take this down?

S: Just in very rough notes.

HMJr: Well, you'd better get it accurately.

S: We're - we're - we're going to check it all back.

HMJr: Yeah.

S: But those are certainly the - the highspots, and....

HMJr: Well, I think he did a swell job.

S: He did - he did a very grand job. There was no question of his intent, and he - he kept on - he kept on talking, even when he could have cut it short if -- if he had had a mind to.

HMJr: Now is - is - is Sullivan there?

S: Yes, sir.

HMJr: Well, I - I don't see - George and the boys here -- you have them all sweating, taking it down, but three of them are trying to take it down, but I - I - I'm very happy.

S: I am, too. (laughs) Dan says that we are, too, and we - we feel that he....

HMJr: It seems to me, now, if we can get this letter over to him, thus giving him further stuff, we'll be all right.

S: Uh huh. Dan would like to talk to you about the letter.

HMJr: Now before he talks to me about the letter, let me talk to Sullivan a minute.

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S: All right, sir. Just a minute.

John  
Sullivan: Yes, Mr. Secretary.

HMJr: What happened when you saw Steve Early?

S: I went over there and he inquired what the Treasury was so jittery about.

HMJr: Yeah.

S: I said that we were re-organizing our bond sales stock; that we had between three and four hundred thousand regular volunteers in between campaigns; that we were just starting to step up the payroll allotment thing; and this confusion was wrecking the entire campaign.

HMJr: That's right.

S: At that point, Steve indicated to me that he had always been in favor of the voluntary.

HMJr: That's right.

S: So he saw Earl Godwin go by outside his office....

HMJr: Yes.

S: ....he called Godwin in....

HMJr: Yeah.

S: ....When I arrived there Steve had the - the Tuesday press conference notes before him.

HMJr: Right.

S: I gave him the question and answer.

HMJr: Yes.

S: He says that this checks with the last conference. And I said, "It checks absolutely."

HMJr: Yeah.

S: He called Godwin in. I gave Godwin the background on this thing -- twenty-seven million people setting aside 9% a week, and Godwin apparently hadn't had many of the figures.

(Cont'd.)

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S:  
(Cont'd:) I'm planning on seeing him later in the day and he's going to carry the message over the radio to the people tonight.

HMJr: Well, did you give him Fred Smith's question and answer?

S: I did. Then both Godwin and Steve agreed that it was very unfortunate to have in at that phrase that he would not recommend compulsory savings until after the September drive.

HMJr: Yeah.

S: They felt, and I agreed with them, that the question, if it were asked that way, the implication would be that he'd - he'd ask to have compulsory slapped on after the September drive and that would do just as much harm as if they had announced it now.

HMJr: Well, that was the weak-point of his statement.

S: Well, anyway we took it out, and I agreed to it.

HMJr: Good.

S: I think Steve did a remarkably fine job and I'm going to call him up and thank him and I think I should convey your appreciation too.

HMJr: Yeah, enthusiastically.

S: Right.

HMJr: Now I'm sorry - I'm not making a record of this conversation, am I?

S: Yes.

HMJr: Are - are you in my office?

S: Yes, sir.

HMJr: Oh, we are making a record.

S: You are.

HMJr: Oh, wonderful. Now, well I - I .....

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S: There - there was a little conversation about what was going on yesterday that I can tell you about later.

HMJr: Well, let's have it now.

S: Well, it - it was just that there - there was something that he - neither he nor I could figure out.

HMJr: Who? Steve?

S: Yeah.

HMJr: Uh huh. I see. Well, you don't want to say it.

S: No.

HMJr: Was it in anyway....

S: No, it was - it was pretty indefinite.

HMJr: I mean - nothing to my discredit.

S: No, oh, not at all. Quite the contrary.

HMJr: Well, now all right then. Is - is Chauncey around?

S: Miss Chauncey isn't in the room. I can get her.

HMJr: Well, get somebody to send for her and tell you why.

S: (Talks aside: Get Chauncey) Yes, we're - we're getting her now. Dan wants to talk to you.

HMJr: Yeah.

S: Harry and Randolph -- Harry just had to leave, but we've gone all over this letter and Dan'll tell you about that.

HMJr: We've written a completely different letter up here.

S: Well....

HMJr: Completely different.

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S: We unanimously agree that no letter should be sent, and the President said we came through with a 100% style this morning. We think to ask him to read any letter now after he's done what we want, would be quite unnecessary and perhaps a mistake. It's a good letter to have on the shelf to use later on when we need it.

HMJr: Well, I'll talk to our boys about it.

S: Yeah. Don't you want to talk with Dan? He's right here. Hello?

HMJr: Hello.

S: Don't you want to talk with Dan?

HM<sup>o</sup>r: What?

S: Dan is right here.

HMJr: But, John.

S: Yes, sir.

HMJr: Thanks for carrying the message to Garcia.....

S: I was very glad to do it.

HMJr: ....Early.

S: Well, Steve was perfectly swell.

HMJr: He did a nice job. I'm very much indebted to him.

S: Well, he's the fellow that did job.

HMJr: Well, Fred - I would - I never would have had the idea if Fred Smith hadn't given it to me.

S: Yeah. Well, it was a good one.

HMJr: Yeah.

S: It - it certainly clicked over there.

HMJr: Fred's blushing.

S: Right.

HMJr: He doesn't know how.

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S: (Laughs) I thought he should after that topic he mentioned yesterday for your speech tomorrow.

HMJr: What?

S: I think he should blush after that topic he mentioned for your speech tomorrow.

HMJr: I see.

S: Okay. Here's - Mrs. McHugh just came in.

HMJr: No. Now - well put Bell on.

S: Right.

Daniel  
Bell: Hello.

HMJr: Yes.

B: Well, John told you our feeling about the letter. In view of what's happened - well - we think that the letter better be held in abeyance.

HMJr: Well, I - I - I ....

B: It might disturb them a little.

HMJr: What did you say?

B: I say it might disturb him, and he's got a letter of yesterday to digest, and....

HMJr: (Talks aside) Wait a minute. (Talks aside)

B: Let's put it on the shelf.

HMJr: Just a moment.

B: Yeah.

HMJr: I've - there's a little pride of authorship around here.

B: Oh, really.

HMJr: (Talks aside)

B: How's that?

HMJr: I'm just trying to teach Smith a few manners.

B: (Laughs)

HMJr: Hard, but he'll learn.

B: Well, he's up in the country, you know.

HMJr: What?

B: I said, "He's out in the country now. He can act just how he is."

HMJr: Yeah. All right. Well, now go ahead with what you've got.

B: Well, now I've talked to Jim Rogers of O.W.I....

HMJr: Yes.

B: ....and he said that he did not get any word from Gaston, but he has considered over there in all of his talks with everybody, the whole month of September.

HMJr: I see.

B: And as far as that's concerned you may consider it as cleared.

HMJr: Yes.

B: I talked to Hemingway, and he's agreeable to the 7th. He said he'd like to talk to one or two people and call me back sometime today. But he said that he's sorry that....

HMJr: Don't announce this thing now until I get to Washington.

B: I think that's right.

HMJr: What.

B: I think that's right.

HMJr: And Winthrop Aldrich is coming in three o'clock Tuesday.

B: Down here?

Yep.

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B: All right.

HMJr: There's no sweat about this.

B: That's right. There's no sweat.

HMJr: My own feeling is I agree with you. I'll argue with these boys a little bit. I think - I'm having lunch with the President Tuesday.....

B: Yeah.

HMJr: ....and Paul will know whether any memorandum goes to him before that, see?

B: Yeah.

HMJr: And I think the thing to do now is to wait and say, "Now look, Mr. President, if and when this Byrnes-Harold Smith crowd sees you, that this is the way we feel." You see?

B: Yeah.

HMJr: But I think he went to town, and - and I've never - I don't know when the President said, "I'm sorry," and corrected himself that way.

B: That's right. No, I think he did a grand job and we'd better thank him for it....

HMJr: As far as I'm....

B: ....and not irk him by....

HMJr: What?

B: I think we'd better thank him for it and feel pleased and not irk him with another memorandum.

HMJr: No.

B: Well, I - we all agree with that.

HMJr: Yeah.

B: All right. That's all we have. If - you want Mrs. McHugh.

HMJr: Who?

B: Mrs. McHugh.

HMJr: No, I was going to dictate something. But one thing that I do want to tell you while I'm in a good humor....

Bell: Well, you're always in a good humor.

HMJr: What?

B: You're always in a good humor.

HMJr: Aw. Thank you anyway. This fellow that helped Robbins -- the administrator fellow -- what's his name?

B: Cake.

HMJr: What?

B: Cake.

HMJr: Yeah. I thought you ought to let War Bonds - War Finance have him.

B: Well, we've got people around us - they - they don't need him.

HMJr: Well....

B: I'll talk to Ted about it and we'll fix him up. He can give him part of his time.

HMJr: Well....

B: He's too big a man for an administrative job like that.

HMJr: That's....

B: I think the second and third man is the better - is more what Ted needs, than an account-keeping man.

HMJr: Well....

B: But, I've talked to Ted about it and I told him that we'd work it out someway.

HMJr: Okay.

B: All right. You want - Hello?

HMJr: Hello.

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B: You want Mrs. McHugh?

HMJr: No, I don't need her, but just tell Paul that if he hears of any memorandum going to the President to let me know.

B: All right. He said he would.

HMJr: All right.

B: Yeah. Wait a minute. (Talks aside) He said, "Nothing will be going certainly until Monday, and to get it released over the weekend."

HMJr: Right.

B: All right. Goodbye.

June 11, 1943

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Schwarz *CS*

SUBJECT: President's Press Conference, Friday, June 11,  
1943 - 10:30 A.M.

SAVINGS--TAXES -- President Roosevelt said today that he does not intend to ask Congress for a program of compulsory savings. He said he was sorry if he had given that impression at his last press conference, but that as long as the present method of voluntary purchases continues to be successful, he agrees with Chairman George that there is no need for compulsory savings. The President said that he may send a message to Congress urging the closing of the inflationary gap and that the Treasury will have a dozen different methods available for study. Asked if the amount of money raised by voluntary sales would have any effect on his request to Congress, the President replied in the affirmative.

Earl Godwin opened the subject by saying that there seems to be some confusion as to what the President said at his last conference and what he intended in regard to compulsory savings. Earl asked if the President intended to make a request of Congress for such a system. The President said that he thought Earl had hit it on the head, that he thought there had been some confusion. In the last conference, the President said, he was talking about the theory of taxation, that it is perfectly clear that the House itself must initiate tax legislation. He had been asked if compulsory savings may still be necessary to eliminate the inflationary gap and he had replied that it was possible. Any kind of taxes are possible, the President said. We also talked about a sales tax and it is possible that Congress might pass one and it might be vetoed and it could be passed over the veto. The President said it was also obvious that he had said taxes and compulsory savings--taxes being in many forms--could be used jointly.

At the present time the public has been supporting the Bond Drive and making it a great success, oversubscribing the last drive by more than \$4,000,000,000 or \$5,000,000,000. As long as this is continued, as Chairman George has expressed it, there is no need for compulsory savings.

Then you do not intend to ask for compulsory savings? Certainly not, the President answered. He said he had been talking in the last conference about the inflationary gap, that it was perfectly clear that as far as it possibly can, the administration wants to close that gap. The President said that it did not necessarily follow that compulsory savings should be included, that he was sorry if he gave that impression, that the conference notes showed that his statements could be construed that way and on the other hand could be construed as he was explaining them in more detail this morning.

The President was reminded that his Budget Message asked for taxes, savings, or both, and was asked what kind of savings legislation he could request if not for a compulsory system. Various kinds of legislation, the President replied. But you couldn't legislate for a voluntary program, could you? The President said it was perfectly possible.

He refused to comment on reports that yesterday's meeting called by Jimmy Byrnes had resulted in suggestions for withholding as much as 40% of wages. The President was asked how he would recommend the gap be closed and said that is up to Congress, that he may send up a message, that he hasn't yet decided to do so, but if he does the Treasury will have a dozen different ways of closing the gap available for the committee. Asked if his January estimate of \$16,000,000,000 needed has now increased, the President said the gap had widened a little bit and that it was threatened more by some proposals for further inflation such as increases in wages and farm prices. He said that a small portion of the gap had been closed the other day when he signed the "Pay-as-You-Go" tax bill.

- 3 -

ITALY -- The President opened his conference with the announcement that Pantelleria had surrendered, apparently without any great loss of life. He said that white flags were flying because the Island did not have enough water and recalled that the Italians had done a great deal of boasting about the strength of this Island and had described it as their Gibraltar.

Taking advantage of what he said was an opportune time to say a word to the Italian people, the President said the United Nations have no intention other than that Italy should be restored to nationhood and take its place as a respected member of the family of nations. When the Nazis and Fascists have been driven out, he said, only then will the good judgment of the Italian people become evident. He described the present effects of the American and British campaigns as perfectly logical results of the ruthless course followed by Mussolini in forming a military alliance with Germany and betraying his own people.

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THE WHITE HOUSE  
WASHINGTON

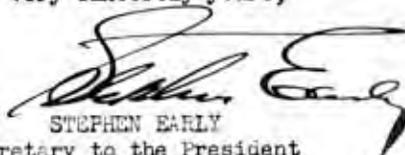
June 11, 1943

Dear Mr. Shaeffer:

Attached is a transcript of the President's press conference of today. I am giving you this for the information of the Secretary of the Treasury and with the definite understanding that it will be considered otherwise confidential. I ask this treatment to protect against the possibility of its publication, now or later, in its present form.

Of course the President's language is known to the press, but newspaper reporters are not permitted to use it except in the third person. And, no permission was given to quote the President direct in this instance.

Very sincerely yours,



STEPHEN EARLY  
Secretary to the President

Mr. Charles P. Shaeffer,  
Public Relations,  
Room 388 $\frac{1}{2}$ ,  
Treasury Department,  
Washington, D. C.

MR. GODWIN: Mr. President, may I speak on a domestic matter? There seems to be some confusion as to what you said or intended in your last press conference about higher taxes and compulsory savings, and I want to ask you do you intend to ask for compulsory savings, in view ---

THE PRESIDENT: (interjecting) No.

MR. GODWIN: (continuing) --- of the fact that we have ---

THE PRESIDENT: (interposing) I think you have hit it right on the head. I think there was some confusion about ~~XXXX~~ what I said. I have -- I went over the actual notes of the conference. We were talking about -- primarily about the theory of taxation, and I made it perfectly clear that the Congress, of course -- the House itself -- initiates all tax legislation. And I was asked if compulsory savings may still be necessary to eliminate this inflationary gap that we were talking about; and I replied that this was possible. Of course, any kind of taxation is possible. We talked about -- even about the -- about a sales tax; and I said I was utterly opposed to it. A sales tax is possible, of course, if the Congress enacts a sales tax. They might have to pass it over my veto, but it is always possible. There are lots of forms of taxation that are possible.

Also, it is obvious -- I said that taxes, and compulsory savings ~~XXXX~~ -- taxes being of many forms -- could be used jointly. That is perfectly true too. And I did not say that they would be used jointly. We were talking about the theory of taxation.

The public has been supporting the Bond Drive with remarkable and great success. The last one was over-subscribed -- Oh, what? -- four or five billion dollars, and as long as that continues -- I -- I notice that Chairman George expressed himself as feeling, after the Second War Loan, that compulsory savings will not be necessary; which we hope they won't be. I never came out in favor of compulsory savings. I am sorry if I gave anybody the wrong idea.

MR. GODWIN: You do not intend to ask for ---

THE PRESIDENT: (interposing) No, certainly not.

Q. Mr. President, ---

Q. (interposing) Mr. President, ---

Q. (interposing) Mr. President, in connection with this -- are you through, sir?

THE PRESIDENT: No. I have got something else down here.

Then we were talking also -- in the notes -- about this gap, the inflationary gap. And of course, it is perfectly clear that we want as fast as we possibly can to close that gap. I certainly -- I am sorry if I gave any impression -- the actual notes of the thing have been could ~~be~~ construed that way, but on the other hand they could have been construed the way I have said it.

Q. Well, Mr. President, in your Budget Message to the Congress, you said that you wanted 16 billion dollars in additional revenue legislation, through taxes, savings, or both. Now what kind of legislation could there be, sir, on savings which would not be of compulsory character?

THE PRESIDENT: Oh, I don't know. There are various kinds that can be -- I mean, don't ---

Q. (interposing) Would you legislate voluntarism?

THE PRESIDENT: What?

Q. You wouldn't legislate voluntarism?

THE PRESIDENT: Yes, you could. It is perfectly possible. Now, that sounds crazy, but it's perfectly possible.

Q. Mr. President, in that connection, there are reports that it was suggested yesterday at this conference held by Mr. Byrnes that they withhold as high as forty percent. Can you comment on that at all?

THE PRESIDENT: No. Now we are getting into deep water. (laughter)

Q. Mr. President, can you tell us if the plan has gone far enough to tell how you are going to close that gap?

THE PRESIDENT: No. That is up to Congress. I may send a Message on -- which probably won't go into very much detail -- we don't generally do that, you know. We have always said that the Treasury is available, and they will have dozens of different ways of raising it. It is up to Congress to decide. We have -- we have got to get that into their heads. Congress has to decide. Congress has to decide. We ask the Treasury to do this, that and the other thing, and they do it, and it works out pretty well.

MR. GODWIN: With a continuation of the voluntary subscription -- voluntary bond buying -- millions of people buying more, won't the amount of money that is raised by the bonds have some effect on your request to Congress ---

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THE PRESIDENT: (interjecting) Yes.

MR. GODWIN: (continuing) --- as to plans? That is so, isn't it?

THE PRESIDENT: Yes.

Q. Mr. President, can you say whether the estimates of the inflationary gap, which was fixed at 16 billion last January, have gone up in view of mounting national income?

THE PRESIDENT: I think slightly, so far, but they are threatening ---

Q. (interposing) The gap is widening?

THE PRESIDENT: The gap is widening a little bit, because of course the cost of living has gone up -- pay has gone up; but some of these -- some of these proposals that have been made for further inflation, both in wages and farm prices, would, of course, increase that gap.

Q. Well, what I had in mind, sir, was you have stated that it is your intention to close the gap. Could we assume from that that the 16 billion dollars hope might go up a little in your Message?

THE PRESIDENT: That I don't know. I wouldn't say that yet. And, of course, a small portion of it was closed by that bill the other day.

Q. Mr. President, is it correct to interpret your statement that -- as meaning that the main emphasis of your Message will be the closing of the inflationary gap, that is, the necessity for dealing with that question?

THE PRESIDENT: In the first place, don't -- don't put

as if I was sure of sending the Message. I don't know yet.

Q. (interjecting) Yes.

THE PRESIDENT: (continuing) But if I do, such a Message will be not on closing the inflationary gap but the whole proposition of inflation, not merely the Treasury end -- the effect of inflation on the Treasury -- but also the effects of inflation on everybody in this country -- purchasing power.

MR. GODWIN: Mr. President, you have a drive in Congress which seems to be aimed at stopping subsidies and the borrowing of money from the R.F.C., a situation which seems to be counter to the plans of the Administration -- it seems to be getting in their way. Have you anything to say about that.

THE PRESIDENT: Well, didn't they have an expression in England in the last War called "The Better 'Ole"?

MR. GODWIN: Yes.

THE PRESIDENT: I would very much like to have somebody say to me, ---

MR. GODWIN: (interjecting) Find a better 'ole?

THE PRESIDENT: (continuing) --- "I have found a better 'ole." And it's all -- all very well in life to adopt the attitude that you don't like this, you don't like that, or you don't like the other thing. Of course, the real answer is, what in blazes do you like?

VOICES: Thank you, Mr. President.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 11, 1943

TO D. W. Bell  
FROM The Secretary (Via Fred Smith)

Please get a correct transcript of that part of the President's press conference of this morning that had to do with compulsory savings. When you get it, it should be sent to the following people: The Presidents of the Federal Reserve Banks; the members of the Federal Reserve Board in Washington, and to every director of the Federal Reserve Banks. It should also be turned over to the War Savings group to be distributed to all key people in the 48 states, including Washington, D.C., with instructions to get just as wide distribution as possible.

*Talked with  
Mr. [unclear] [unclear] [unclear]  
and read the transcript  
Gardner letter (included original letter)  
[unclear] says forget the whole  
thing.  
DWB  
6/11/43*



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

June 11, 1943.

MEMORANDUM FOR THE SECRETARY'S FILE:

I talked this morning with Jim Rogers of O.W.I. on the matter of the Third War Loan drive. He said Herbert Gaston had not talked to him yesterday. I told him we might want September 7th to September 30th and he said he had always considered that September would have to be kept available for the Treasury on the Third War Loan drive and that we could consider it cleared so far as his organization was concerned.

I telephoned this to the Secretary at about 11:30.

At 1:30 Rogers called back and said there was one thing he wanted to make clear and that was that there was a manpower program set for the entire month of September and the first week of September, plus Labor Day, would be taken up with quite a bit of publicity, particularly on the radio in the form of speeches. He did not think this would in any way interfere - possibly we could work in the War Bond drive into some of these speeches, but that we should rely on September 7th for publicity similar to that which we got the last time when the radio devoted the entire first day to the Second War Loan drive.

As to this drive I also called Mr. Hemingway, President of the American Bankers Association in St. Louis, and told him of our plans and the reasons therefor. He said he was sorry that they had to have a convention right in the middle of the drive but it was something that neither he nor the ~~Association~~ could prevent and he saw no real reason why the Treasury could not use the dates September 7th to 30th. He said he would, however, like to talk to Harold Stonier and he would call us back this afternoon.

I also gave this to the Secretary and he said he would not announce the dates of the next War Loan until he returns to Washington next Tuesday at which time he has a date with Winthrop Aldrich, head of the Community War Fund.



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Mr. Hemingway called me back at 3:30 p.m. today to say that they are in full agreement with the next war loan starting on September 7. They hope in the publicity that nothing will be said about the American Bankers' making the request that the drive be postponed to the 20th because of their convention as they do not want to get in bad with any of the organizations working on local community fund drives.

I told him we would look at it from that angle when we gave out the publicity.

*swB*

6/11/43

First draft of Kingston, N.Y., speech  
dictated over the telephone.

Thank you, Mr. Mayor. I am here as you know to award the Treasury "T" flag to your city of Kingston - a token of the fact that every industrial and commercial firm in this city has a Payroll Savings Plan. This achievement of Kingston is gratifying because it tells us that if one city after another wins our "T" flag, the nation is unified and strong in its support of the war. When management and labor get together, when the employees of every firm in an entire city share their wages week in and week out with their government, we have a demonstration of a real will to win. So, Mr. Mayor, on behalf of the Treasury Department of the United States, I present to you and to the city of Kingston, this Treasury "T" flag.

(Applause)

Ladies and gentlemen: I am very glad to have this chance to speak to you here in Kingston, not only because of your outstanding record in buying war bonds, not only because Kingston has a war history that goes back to George Washington and the days of the Revolution, but because my own home also is here in the Hudson Valley, and I can talk to you as one neighbor to another.

And I'm glad that what I say to you, as a neighbor, will go over the air to people in other Kingstons, other cities like this, across<sup>the country</sup> -- because Kingston is both an industrial community and a farming community, and what I have to say touches both industrial workers and farmers -- all of us in fact, no matter where we live.

- 2 -

Your working men and women, together with working people in other cities of the nation today, are building war equipment for our armed forces in such vast <sup>quantities,</sup> ~~quantities~~ and in such intricate perfection, that our enemies aren't the big brave supermen they were. They were brave enough when they thought they could beat us with our backs turned, but they aren't so boastful today! And these fertile farms along our Hudson River are raising food for our soldiers and sailors and marines, our war workers, and our allies. You people of Kingston are discharging momentous tasks, workers and farmers alike, of equal importance.

Let me speak to you now of this other momentous task that you are sharing so splendidly, and that I share with you -- the task of financing this virtually <sup>colossal</sup> ~~colossal~~ world war that we intend to make, also, the last! I have some news for you of how we will pay the bill from now on.

Your magnificent response to the War Loan Drive has shown that you are willing, even eager, to put up with real sacrifice to pay the bill, no matter what it costs -- just so long as we win. You are resolved that we must win. And you have a right to know -- you must know, if we are all to keep our eyes and our heads clear for the hard job that still lies ahead of us -- what such a resolve calls for, in dollars and cents, and how the dollars and cents are to be raised.

I'll begin with the rate at which our war spending has

- 3 -

grown, and why it has grown. At the time of Pearl Harbor, when we were shocked into a realization of what modern war is by the treacherous murder of hundreds of American boys by the Japanese -- at the time of Pearl Harbor when, mind you, we were so far from expecting war that our entire air force was only a fraction of the number of planes we're producing now -- even then, we were pouring into war materials 64 million dollars a day. As we rallied from the shock of Pearl Harbor, we threw the lever of our vast ~~XXXXXXXX~~ American machine <sup>of</sup> ~~ix~~ production into high gear. By July of last year our war expenditure climbed to 152 million dollars a day. At the end of last year we were spending 198 million a day. And today the figure is 240 million.

Between sunrise this morning, and sunrise tomorrow morning, your government will have spent nearly two dollars for every man, ~~woman~~ and child in the United States.

Why? Because we have vowed to produce <sup>so</sup> ~~xxx~~ many bombing planes that there will be traffic jams in the sky over Berlin. (And there are, already.‡ One wave of planes sometimes has to wait for another to go in.) General Arnold, commanding the Army Air Forces, said flatly that he means to bomb Germany out of the war, and Mr. Churchill says that, even if we can't, it won't do any harm to try. And a four-motor bombing plane -- just one -- costs nearly a half a million dollars ... Because we intend to drop a thousand, two thousand, three thousand

tons of block buster bombs on the Axis nations every night, weather permitting! And a single two-thousand pound block buster costs \$400. Because, every time one battleship of our Navy fires a broadside of sixteen inch shells at the Japs, it costs \$13,000 ... in other words, because we're really getting into the war. Because, at last, the United Nations are on the offensive! Where we want to be!

Well ---

To put us where we want to be, for the first half of this year individual bond buyers will have invested 7 billion dollars in War Bonds; a little over ten per cent of their income. That doesn't include money coming from corporations, banks, or other institutions. That's just the amount the people themselves will have invested in winning this war. Splendid as that achievement is, we can't stop now to pat ourselves on the back. Not at this moment when we are about to invade Europe! We have a big job ahead!

During the second half of this year -- from the first of July until the end of the year -- it is going to be necessary for you to invest, not another 7 billions, but nearly 2½ times that much! We will get many billions more from corporations and other large buyers,

but we are calling on you to buy as individuals \$18 billions worth of bonds during the rest of this year.

In other words -- in addition to your taxes, you are going to be asked to lend your Government twenty-five cents out of every dollar you earn.

Now, that sounds like a lot, but I am sure we will be able to swing it, if we all work together.

The first reason is that we have the will to do it.

During the second War Loan drive in April, we asked people to buy \$2½ billions worth of bonds, and they bought 3½ billions. We asked insurance companies, corporations for 5½ billions, and they invested nearly 10. We asked for volunteers to take over the job of selling bonds to their friends and neighbors, and ten out of every thousand men and women in the United States became voluntary bond salesmen.

When the final score was in, we found that in the Second War Loan Drive we had raised almost as much as the total amount raised during all of the five bond drives of World War I.

The second reason I am confident we will be able to raise the money we need is that these figures, enormous

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as they are, aren't really quite as bad as they sound. For instance, when I say that our bond goal adds up to twenty-five cents of every dollar you will earn after July first, that doesn't mean that every family is going to have to set aside, arbitrarily, twenty-five percent of its income. It's precisely because we don't want it to be too hard for anyone that we raise the money through war bonds. We leave it to you, yourself, to decide how many bonds you can afford to buy. Families with heavy pre-war commitments, mortgages and insurance and so on, may not be able to afford twenty-five percent. But folks who are earning more than their usual amount of money, will be able to invest more.

For instance, take two girls -- Ann and Nancy -- working in a war plant. They both make \$40.00 a week. Ann just has herself to take care of. Nancy is supporting her mother and two little brothers. Ann, obviously, can help finance the war to a far greater extent than Nancy.

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Many people are already putting larger percentages of their incomes into bonds. In some cases where more than one member of the family is working, or where the head of the family has a war job at good pay, the percentage of war bond buying, amounts to half - even more - of the family income.

There are many women in war jobs, with husbands also working, or in the armed forces, who are investing 100 percent of their pay in war bonds; every cent they make! Those aren't isolated cases by any means. In April I visited one war plant where they were putting 23% of the total payroll into bonds.

So it's clear that we have both the will to pay for the war and the ability to pay for it. The only question that remains is the question of method -- how we will go about it.

Now, I myself believe ~~th~~ taxes ought to be used to pay for as large a share as possible. I think taxes ought to cover something like half of our expenses, and they are not covering that much now. But we can't raise much more than half of the money through taxes, because, on

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such a huge scale, we can't levy taxes with fairness. That's why we must rely upon bond sales for the remaining amount. Bonds are flexible. They allow for the obligations which you may have, which may be entirely different from the obligations of your neighbor.

Now --

How are we going to go about the concrete job of getting \$18 billions from individuals in the next six months? First of all, we are starting right now to expand the payroll savings plan by at least 50 percent. Every worker is being asked to figure out for himself how much he can lay aside out of his current earnings for war bonds. Ten percent is no longer enough.

We are also planning on two new War Loan Drives, one in September and one in December, to raise funds, especially from individuals. We have already decided that the September drive will open on September 7.

Our goal for sales to individuals in each of the two drives will be at least \$7 billions, or more than twice our actual sales to individuals in the Second War Loan Drive in April. Which will provide \$14 billions in these two months. The other \$4 billions that it will

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take to make up the \$18 billions, we will get during the four months in which there are no War Loan Drives -- through payroll savings and other continuing bond sales.

This is no impossible job for the American people. The money will be there. The total incomes received by individuals will be so much greater than the sum total of things available to buy, that money will be at hand to buy \$18 billions worth of bonds and still pay taxes, life insurance, mortgage obligations, doctors' bills, and so on.

As the Secretary of your Treasury, I can only tell you what amount of money is needed, and lay the figures before you clearly and honestly. The rest is up to you. In the final analysis you must depend upon your own recognition of your obligation in a free country. The very fact that we are free to lend according to the dictates of our conscience; that nobody is spying on us or tattling on us; that no Nazi stormtrooper comes swaggering into our kitchen to demand our money -- the very fact that we are free adds the more weight to our responsibility to go without that

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pretty dress, or that juicy steak, and instead buy every last bond we can buy.

We know, now, what this war is going to cost. We know how many planes and tanks and ships we'll need. We know how many men we'll have to have in our armies and how much equipment we'll have to provide for them. And we know those things because our days of guesswork are over. Now, Hitler and Hirohito and the trembling, fat hulk the Italians used to call Il Duce are doing the guessing. We know exactly what we are going to do and how we are going to do it! From now on, we are going to do the planning -- and the attacking.

That's what these figures mean that I am giving you. That's why, far from being bad news, or sad news, they add up to good news.

It's going to be tough going; yes. It's going to be tough going for all of us.

BUT it's tough going, too, for the boys out there.

Keep them in mind -- your brothers and sweethearts and friends -- and I don't think there will be any doubt

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in any of our minds about whether or not the American people are ready and willing to pay for this War! They give their lives. You lend your money.

Mr. Hitler and Mr. Hirohito and Mr. Mussolini will have copies of what I have said here an hour or so from now. They will read how we finance a War in America, a free country, and I hope they will have bad dreams. I hope they will understand that this is a blue print I have given you -- a blue print for the American plan.

## MEMORANDUM FOR THE SECRETARY.

June 11, 1943.

Mail Report

What threatened last week to be a summer slump has been averted by an up-sweep in this week's mail. Tax mail received here was very light, but a great many letters on the subject were forwarded from the White House, and in addition, many wrote us about Bonds, Finance Committee, Foreign Funds, and general Governmental policies.

Only 5 letters addressed to the Secretary opposed forgiveness of taxes, and only 6 objected to the 20% withholding tax. In contrast, White House mail included 210 protests against the tax measures just enacted by Congress. There are a great many letters not commenting one way or another, but asking the Secretary how taxes can be paid and Bonds bought on budgets which the writers enclose. Others ask how their incomes will be affected by the withholding tax, or how to handle Tax Anticipation Certificates which they now hold. Letters approving a sales tax were pretty well balanced by CIO-sponsored communications disapproving it and the spending tax as well.

Altogether unfavorable was the reaction to the suggestion that 25% of income should go into Bonds. Individually itemized budgets were sent in with requests that the Secretary study them himself and let the writers know how they could possibly buy Bonds and pay taxes. Some writers suggested compulsory deductions, graded according to income.

Replies to the telegrams concerning organization of Bond selling agencies on a State basis, and to the personal invitations to serve on the new committees were cordially cooperative. Occasional letters objected to the wordiness and cost of the telegraphed messages.

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Memorandum for the Secretary.

June 11, 1943.

Bonds submitted to the Secretary for redemption broke all records, totaling 98. Probably the approach of the second installment date on income taxes accounts for this.

The fact that there were only 56 complaints on nondelivery of Bonds through the War Department, even though the mail as a whole was very heavy, may indicate that conditions are improving in that regard.

Miscellaneous mail included anti-labor protests, complaints about the new pennies, and demands for economy in Government expenditures.



General Comments

L. M. Pierce, Brooklyn, N.Y. I am just one of the average citizens who is somewhat worried as to how much the United States Government is really going to allow a citizen to live on during these trying times. The solution seems to be that all salary checks be made payable to the Government and the Government in turn pay everybody on the Army rate, as otherwise it is going to develop into a real problem that will further help to foster strikes of every description. We understand that next month 20% will be deducted from all pay envelopes. Today's issue of the New York Herald indicates that you intend to demand a further 25% from pay envelopes for War Bonds, and the New York Sun states that Senator Wagner is going to demand a further 6% for a Security Plan, that makes a total of 51%. How many workers in War plants are going to sit contented on that basis without demanding higher wages. \* \* \*

G. C. Gasber, Martins Ferry, Ohio. Enclosed is \$20.00 Money Order for General Fund, U. S. Treasury. I have been delinquent for some time, but am employed gainfully again. Best wishes for a speedy, successful conclusion of the war.

Henry J. Abrahams, Omaha, Neb. Enclosed herein, endorsed to you, please find check in the amount of \$12.50, recently sent me. It seems to me that our recent victory on Attu Island should be considered not only as a military victory, but also as an opportunity for civilians to express their thanks for the bravery of our courageous soldiers. With that idea in mind, will you kindly use the proceeds of the enclosed check to furnish more ammunition to our soldiers, with a view toward assisting them further in their most admirable purpose.

Wm. B. Joyce, Private Investments, N.Y.C. It is stated that the Treasury is seeking complete and accurate information about American assets in foreign countries,

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which we approve. We, however, point out that the Treasury Department should take cognizance of a deplorable situation existing in that American citizens have purchased bonds of foreign nations, which foreign nations have assets in the United States, and such foreign bonds have matured and the principal defaulted, and the American investors are unable to get any information from the Treasury Department or from representatives of the foreign nations, regarding what to expect about payments, and what securities such American investors in foreign nations' bonds have in this country as far as the assets such foreign nations have in the United States. Do you think that is quite the way to treat American citizens who are struggling to pay their taxes, and to buy War Bonds, and who have children in the service of their country as we have?

Mrs. Georgia Wicks, Los Angeles, Calif. In circulating the new pennies it is just like flooding the country with counterfeit dimes. They are being passed for dimes everywhere. Unscrupulous people can pass many each day on unsuspecting persons and make 9¢ on each one. Several were given to me as dimes before I knew they were in circulation. Couldn't you make them octagon or square so they wouldn't be just like dimes? Imagine everybody in the United States having to take time to examine each dime and penny that comes into their possession each day to see which face happens to be on it.

Favorable Comments on Bonds

I. L. Hillman, Certified Public Accountant, Brentwood, Pittsburgh, Pa. \* \* \* Many large industrial firms in the Pittsburgh territory which have inaugurated Payroll Deduction plans report that if employees do not receive delivery of Bonds within seven to ten days after sufficient funds have been accumulated in their accounts to pay for them, they threaten to cancel, and often do cancel their subscriptions. Such employees give the excuse that they prefer to buy Bonds for cash where they can secure immediate deliveries. \* \* \* Accounting systems for large industries are usually complex and the accumulating of payroll information in one central department from various plants throughout the country for the purpose of issuing War Savings Bonds often requires much longer than seven to ten days. It often works a hardship on employers to attempt to make such prompt deliveries. \* \* \* In spite of this, most industries throughout the country have been spending tremendous sums in accounting for payroll deductions and issuing Bonds to employees within the ten-day period. \* \* \* It is my recommendation that in the forthcoming drive, the Treasury Department stress that delivery of Bonds to employees under payroll deduction plans will be considered very satisfactory if made during the month following that in which the Bonds are paid for. Such Bonds will bear interest as of the first of the month in which paid for, so that employees do not lose any income. Such Bonds have no value either as cash or collateral for sixty days after the effective interest date. Therefore, it would seem that publicity along the lines above recommended would not only be economical to employers, and indirectly to the Federal Government, but would educate the employees of what is reasonable to expect under present war conditions. \* \* \*

Unfavorable Comments on Bonds

Samuel H. Rozansky, Brooklyn, N.Y. On May 11, I paid \$18.75 for a \$25.00 War Bond from the Airline Terminal on the condition that I would receive same on May 15, with a souvenir cancellation commemorating the Air Mail Anniversary. As yet I have not received same. I inquired at the Terminal, 80 East 42nd Street, and they informed me that you have not sent them out yet. Please be so kind as to let me know by return mail why I have not received cancellation and my Bond at this late date.

Doane Cook, North Sacramento, Calif. This is just a line to let you know you can increase your Bond sales a great deal in the Sacramento area if you will let us know what is being done about the Bonds which were deducted from our pay at McClellan and Mather Air Fields. As far as any one here knows, the funds may have been embezzled. We realize that you are making every effort, but please let us know in the paper, over the radio, or some other way. Every one wants to know if it is safe to buy more Bonds.

Merle C. Martin, Attorney at Law, Hardin, Mont. Recently I gladly contributed some of my time and effort in the doing of what I then believed was a small part of my duty as a patriotic citizen of the United States of America, without any thought or hope of any reward. \* \* \* Yesterday in my Post Office box I found a large manila envelope 8½" x 11½" which carried a Treasury Department franked address label on which was my name and address. On opening this envelope I found a piece of gray cardboard 8" x 11" and a white envelope 7½" x 10½" of heavy paper. On opening the white envelope I found another piece of gray cardboard 7½" x 10½" and a white sheet, 7" x 10½" of "Permanized Artesian Ledger" heavy bond paper on which was beautifully printed a "CITATION". \* \* \* I assume that a similar "Citation" was probably sent

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to all the people who assisted in the Second War Loan campaign of April, 1943. I am pleased that my small contribution was appreciated, but, had I been consulted, I most assuredly should have advised applying the cost of the production and distribution of these "Citations" to the purchase of vitally necessary war material or the payment of a portion of some other Governmental expense. \* \* \* It seems to me that this waste was in very poor taste and sets a very poor example to the citizens of our country. \* \* \* The material and the printing and distribution of these "Citations" alone probably cost as much as several large bombers, or enough to provide necessary care for a large number of men and women. \* \* \* It is just such examples of waste that cause the ordinary citizen to feel that perhaps he could realize more good from his money if he spent it himself, instead of loaning it to the Government to be squandered. My wife and I, as well as other people I know, have invested heavily in War Bonds, in proportion to our means, and feel that we have a right to expect the elected and appointed officers of our Government to use good judgment in the way our money is spent and at least to practice the same economy they urge upon us. \* \* \*

R. L. Brehmer, Brehmer Greenhouses, Circleville, Ohio. Am in receipt of my certificate from the U. S. Treasury War Finance Committee as well as your booklet, "The Story of America's Greatest War Loan". Needless to say, I appreciate the spirit of appreciation in which these were tendered. \* \* \* I feel that it should be brought to your attention that the thought uppermost in most peoples' minds was the very pertinent one, that the majority of the purchasers of Bonds would feel more patriotic and would purchase Bonds more frequently if they felt that a larger proportion of their money actually reached the front lines. \* \* \* Seemingly everywhere people congregate, the conversation ultimately gets around to the subject of Government waste. Typical of such discussion is one participated in by

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myself. It was the meeting of the directors of a local company distributing gasoline and fuel oil to the farm folks of this community. Among those present were two dirt farmers, the manager of the company, a draft horse and feed operator, the president of a local canning company (the former president and owner of this canning company committed suicide because he became a nervous wreck trying to comply with ever-changing regulations of the canning business by the Government, and this man had been president of the State Cannery and National Cannery Association), a banker and myself, a florist. During the meeting, the matter of trying to hold employees for the distribution of fuel to keep farm machinery operating, in competition with higher paid defense work, was discussed. The manager said that Curtis-Wright of Columbus had robbed him of two long-time employees just recently, and stated that he needed some painting done, and had employed a man who worked on the night-shift at Curtis-Wright to do the work for him. He asked this man how he could put in eight hours at Curtis-Wright and still work six to eight hours at painting, and the answer was, "If you ever worked at Curtis-Wright, you would not need to ask such a foolish question". It is a local by-word, "If you are too lazy to work and too yellow to fight - get a job at Curtis-Wright". \* \* \* Just to bring it right home to you, it might surprise you to find stacks of promotional literature, the purpose of which was supposed to be to tell bankers how to sell War Bonds, laying around in the vaults of banks, or baled up in their refuse paper balers. People do not need to be high-pressured to buy Bonds, but unless some changes are made down at Washington, it is going to be more and more difficult to sell Bonds to folks who are convinced that the money they invest in Bonds is being wasted in inefficient war industry, and in the printing offices in Washington. We save every scrap of metal and paper, gasoline, etc., and donate parts of our advertising space for the promotion of War Bond sales, but we are getting damned tired of seeing so much of our money and efforts wasted by a profligate Government.

Frank G. Pierce, Secretary, League of Iowa Municipalities, Marshalltown, Iowa. Our Marshall County War Bond Committee had a meeting yesterday and most of the members seemed to think that there are too many different proposals in regard to Bond sales and increased taxation coming out of Washington, and that every time one of these statements is made, that it makes it just so much harder to sell War Bonds. \* \* \* If it is possible for you to do so, we wish you would keep these different agencies at Washington from shooting off about the payroll allotment and when it is time to make a statement, have some one in your own Department make it officially, or better still, you make it yourself. There are so many statements coming out of Washington that the people are getting very much stirred up wondering just what is going to happen, and if this sentiment that they are going to wait until they see what happens, before they buy War Bonds, continues to grow, it is going to be pretty hard for the local committees to sell their quotas. Hope you will give this your attention and try and keep a lot of boys down at Washington from talking about what they do not know, and if they do make a talk, give all the facts.

David C. Allison, Minneapolis, Minn. \* \* \* It was my desire today to purchase a War Savings Bond, and I presented myself to a Postal Substation at Nicollet Avenue and 15th Street in Minneapolis at 10 minutes to 1:00 p.m. I made my request known to the Postal authority in charge, and was informed that it was impossible for me to procure a Bond at his station for the reason that he had already completed his daily "report". Now, Mr. Morgenthau, the community in which I live has been designated as one in a district in which there does not seem to be at the present time a definite labor shortage. Further, practically all Government offices and war plants in this district were open on this day. Therefore, you can see why I should be slightly curious as to the reason for a

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Government official to hesitate or refuse to accept money to be applied to the war effort just because his "report" was completed for the day. I am sure any comment you may care to make in this regard will be greatly appreciated, not only by myself but also by my business and social associates as well.

W. B. Benson, N.Y.C. Your recent suggestion that the "small" man should invest 25% of his income, after taxes, in Bonds, causes me to wonder if you have ever sat down with paper and pencil to see just how it would be possible for an average white-collar worker (the frozen-salaried, forgotten-man group), married, with two children and earning an average salary of \$2,600 a year, to exist - not live - under your plan. I have set down a sample budget for such a man, being harshly conservative. \* \* \* You will notice there is no provision for paying debts, no provision for emergencies, no vacation, no Christmas gifts, no amusements -- of course no car, no new furniture or furnishings, no cultural expenditures for books, music, etc. I'm sure you would not care to live on such a budget, even if it were possible. This idea, like many impractical generalities coming out of Washington today, needs to be examined in the light of practical economics. \* \* \*

W. B. Bordelon, Agency Cashier, Bankers Life Company, San Antonio, Tex. With reference to the proposal that wage-earners invest at least 25% of their incomes in War Bonds, which I would like very much to do, please send me a formula whereby a man with an income of \$2,400 a year, having three dependents (wife and two children) could accomplish what you propose. If you have some plan whereby I could save \$50.00 a month, and maintain my present living standard, carry an adequate amount of life insurance, I will be most grateful for the information. Please do not overlook deductions for income taxes in making your calculation.

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Favorable Comments on Taxation

Mr. & Mrs. John G. Moore, N.Y.C. Despite the fact that an unrealistic and unfair tax bill seems about to be made law, in spite of the efforts of your Department and our President to have enacted a tax program in keeping with the needs -- the demands -- of the time, we wish to have our taxes for 1942, which we paid in March, accepted as such -- payment of our 1942 income tax. We are not only willing but eager to pay our 1943 tax in 1943. We do not consider this a gift to the Treasury, but our debt which we must insist upon paying. Since the amount is small -- \$28.00 -- it is little more than a gesture, but we must prove to ourselves that the letters we sent to our Congressmen and Representative Doughton, urging a stringent and suitable tax, were not mere lip service. We had laid aside approximately \$100 for 1942 taxes, and were unpleasantly surprised to learn we owed only \$28. Now it seems that would apply to our 1943 tax. Because we know our security and the future of our small son lies, not in the dollars we can keep from our Government now -- not even alone in the Bonds we buy -- but in the security of our Democratic Government and a sound economy for all, we cannot understand the forces in Congress and throughout the country who either are not facing the issue realistically, or who are consciously attempting to sabotage our nation's economy. \* \* \*

Marshall Beymer, The A-C-Devices Company, Chicago, Ill. The other day I received an advice from the income tax department that I owed the Government about twice what I figured I did, and to send on a check, which I will gladly (strange as it may seem), because I feel as if the Government needs every dime it can collect to pay for this war and leave our children's children free to pay for THEIR OWN mistakes. I only wish, like millions of others, that the President would kill off a couple thousand of those crack-pot bureaus, such as NYA, and other nitwit pinks socialistic playgames groups, and use the money for more honest purposes, but I suppose

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that is the only way for the Democratic Party to guarantee re-election, as far as they can, by buying the voting public. \* \* \* There are many firms, including ourselves, who are advertising today and generally spending excess funds in what the advertising man calls sustaining advertising. \* \* \* Therefore, why not tax advertising in the visible forms such as so much an inch for newspaper space, so much more per inch for magazine space, and so much a piece for circulars of a size, and more for a larger size circular. That certainly does not tax freedom of speech, which even as much as the Democratic Party would like to muzzle it, **MUST NEVER BE ABRIDGED**. \* \* \* Don't bother to answer -- just go do it.

William W. Orton, Worcester, Mass. I am writing you for advice as what to do about my state income tax. I filled out a form and sent it to Boston income tax agency and I have not heard a thing. I was married in 1942 and my wife didn't prove to be the lady she was suppose to be, she keep me broke most the time, and what little I spent would make a slight different. I made about \$1,400 dollars. I am not livin with her now, I am getting devorce from her. I am working on a Defence Job. I tried to borrow money, I figured I owed Uncle Sam around 80 dollars, and if I do, I wish I may have time to pay, as you read how honest I am, no exceptions, only a citizen.

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Unfavorable Comment on Taxation

E. H. Spillane, Chairman, Legislative Committee, United Electrical, Radio and Machine Workers of America, Westinghouse Local 601, East Pittsburgh, Pa. \* \* \*

What is the disturbing factor to our people is the general talk and the Treasury Department's suggestion about a "spending tax". We can readily see that there is no difference between a sales tax and a "spending tax". Our people, and all the people in our entire area, are opposed unequivocally to any form of sales tax, regardless of what fancy name may be tacked to it. Our people are willing and eager to pay their fair share of whatever taxes are necessary, but we insist upon a tax program based on the ability to pay. A sales tax is definitely unfair to the common people. We ask, therefore, that you discontinue any suggestions for a "spending tax", and recommend a fair tax program that will enable the American citizens to at least give their children enough to eat.

O

Printed report returned to Heffelfinger.

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JUN 11 1943

My dear Mr. Chairman:

Receipt is acknowledged of your letter of June 4, 1943, requesting an expression of my views on the tentative report on Government personnel which you furnished on May 26, and which you have been directed by the Committee to submit to Congress at an early date.

I am in accord with the Committee's view that the tremendous expansion in Federal personnel is a cause of serious concern, but I am not in accord with the implications arising from the statement (page 3) that only employees of the War and Navy Departments, except clerical, administrative and fiscal employees, and employees of the Panama Canal can be considered essential in our war activities.

We cannot lightly pass over the fact that there are a great many agencies of the Government engaged in essential work in support of our armed forces. I have in mind the Maritime Commission and its accomplishments in marshalling our shipbuilding industry to its present unprecedented capacity, because without ships we cannot transport and supply our troops in combat areas. The lend-lease Administration has played a great part in supplying our Allies, thus enabling them to continue to oppose the enemy on many fronts. From a personal standpoint, I take pride in the Treasury Department's part in our war responsibilities, especially in revenue collection work, in the financing of the war, in foreign funds control, in procurement lend-lease activities, and in the maintenance of the currency and coin necessary to support our wartime economy. All of these duties have increased enormously and are just as essential as the duties performed by employees of the War and Navy establishments. Numerous other agencies could be cited which are likewise doing their part in bringing our full forces into play against the enemy.

In fairness to these agencies and their employees, many of whom are conscientiously working long hours under trying circumstances, I believe the Committee should give recognition to their part in our war efforts.

I share the Committee's views (page 6) that agencies of the Government, including new war agencies, should redouble their efforts to reduce their employment. It should be borne in mind, however, that many of the older agencies have had duties incident to the war placed upon them, and furthermore have without question done a better job in holding down their personnel requirements than some of the newer agencies by reason of their more mature experience in dealing with problems of personnel, with consequent better controls over such matters. Also, they have lost the services of many of their most valuable employees who have entered the armed forces. This situation has undoubtedly had its effect upon efficiency of operations and resulted in a tendency to require a greater number of untrained persons or inexperienced employees to carry on essential services. This has been our experience in the Treasury, and it is reasonable to assume that other agencies have had the same experience.

With reference to the figures reported on page 6 and in the table on page 87, which show a decrease in employment in the Department of Interior from 51,582 employees on July 1, 1939, to 41,759 employees on January 1, 1945, while over the same period the monthly payroll increased from \$6,899,767 to \$7,086,064, it is understood that the Secretary of Interior has furnished the Committee information accounting for these changes which no doubt should be included in the report to clear up any possible incorrect inferences which might be drawn from this part of the report.

As Secretary of the Treasury, I am in a position to appreciate the personnel problems of the executive agencies because I meet such problems in administering the Treasury Department, and as a member of the Committee, I recognize our duty to strive for the reduction of nonessential Federal expenditures. Improvement in Governmental administrative management, including personnel, will be a positive step in the direction of economy, but wartime administration (especially war on the scale in which we are now engaged) accentuates our personnel problems and consequently makes improvements more difficult to accomplish. We should nevertheless correct or eliminate obvious unsatisfactory conditions wherever possible and lay long-range plans for our postwar guidance in this field.

In the relatively short time available, and on account of my preoccupation with matters involved with our financing operations, I have not been able to fully acquaint myself with or to analyze the detailed information upon which the Committee's general conclusions (page 16) and its recommendations (page 17) have been based. However a rather hasty review of certain of your recommendations (1 to 9, inclusive) suggests the following comments:

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There appears to be no basis to support a general reduction in personnel in all agencies alike as contemplated in Recommendation No. 1. In some agencies the arbitrary reduction might be met without impairment to the work load; in others a greater reduction might be possible; in still others the arbitrary reduction might seriously jeopardize the war effort to an extent that would render negligible the savings sought.

Recommendation No. 3 suggests the establishment of a manpower pool. This, in effect, has already been established by the Civil Service Commission and is now in operation.

In Recommendation No. 4 it is proposed to restrict personnel officers from recruiting, interviewing, investigating, and placing personnel. At the present time personnel officers are not permitted to perform these functions under rules laid down by the Civil Service Commission in so far as they relate to the recruitment of personnel from outside the Government.

Recommendation No. 5 proposing that a better quality of personnel be recruited by the Civil Service Commission is sound in theory but has been proved impracticable because of the present manpower shortage.

In the present emergency when the energies of the greater percentage of Government personnel are being taxed to the utmost in performing essential functions relating to the war effort, it is my belief that it is not an opportune time to undertake drastic and far-reaching changes in Government personnel administration. Nevertheless, I am in sympathy with the Committee's objectives and with the reservations herein outlined join in the Committee's report.

I will be glad if you will include these comments with the Committee report.

Very truly yours,

(Signed) H. Morgenthau

Secretary of the Treasury.

Honorable Harry F. Byrd,  
Chairman, Joint Committee on Reduction  
of Nonessential Federal Expenditures,  
Senate Office Building,  
Washington, D. C.

Orig. Copy to THOMPSON  
SUBSTITUTED in Diary

WNT:em  
6-8-43

By Messenger *Rever 105 4/10*

WALTER FLEMING STEAR, MINISTER FROM YONKING, CHAMBERS  
WALTER L. BRANTON, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE

WALTER FLEMING STEAR, MINISTER FROM YONKING, CHAMBERS  
WALTER L. BRANTON, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN  
CLARENCE CARROLL, REPRESENTATIVE FROM MISSISSIPPI  
CLAYTON A. WOODRUM, REPRESENTATIVE FROM MISSISSIPPI

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JOHN STARK, REPRESENTATIVE FROM NEW YORK

HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY  
HAROLD B. SMITH, DIRECTOR OF THE BUREAU OF THE DEBT

Congress of the United States  
JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL  
FEDERAL EXPENDITURES  
CREATED PURSUANT TO SEC. 501, OF THE REVENUE  
ACT OF 1941

*Mr. P. [unclear]*

June 4, 1943 d

The Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

My dear Mr. Secretary:

I have received your letter of May 29.

I greatly regret the delay in sending you the two reports, one on the Home Owners' Loan Corporation and one on the National Youth Administration. I shall see that these reports are sent to you in ample time in the future.

As you know, the recommendations in the report just made on the NYA are the same as those made a year ago, in which you concurred.

If you desire to dissent from any of the detailed recommendations in the HOLC report, I will certainly be glad to see that this is properly reported to Congress and included in the Congressional Record.

On May 26 a tentative report on government personnel was sent you. I am directed by the committee to submit this report to the Congress sometime next week. I shall be glad to incorporate in it any comment you desire to make.

With best wishes, I am

Faithfully yours,

*Henry J. P. [unclear]*

WALTER B. WATKINS, REPRESENTATIVE FROM VIRGINIA, CHAIRMAN  
W. BRANTLEY LEE, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

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HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY  
WALTER B. WATKINS, DIRECTOR OF THE BUREAU OF THE BUDGET

Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL  
FEDERAL EXPENDITURES

CREATED PURSUANT TO SEC. 801, OF THE REVENUE  
ACT OF 1941

May 20, 1943 r

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

My dear Mr. Secretary:

Enclosed are two reports of the Joint  
Committee on Reduction of Nonessential Federal  
Expenditures, one on the Home Owners' Loan  
Corporation and one on the National Youth Admin-  
istration.

If you have any suggestions to make re-  
garding either of these reports, I shall be very  
much pleased to hear from you.

With best wishes, I am

Faithfully yours,

Henry J. Ryan

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUN 11 1943

TO Secretary Morgenthau  
 FROM Randolph Paul

We have previously reported to you certain information with regard to the transfer of funds on behalf of Madame Chiang Kai-Shek.

It now appears that during 1943 ~~\$867,000~~ has been transferred from funds of the Chinese Government to Ling Kai Kung, son of Dr. H. H. Kung, and to Dr. F. C. Wu, representative of the Central Trust Company of China and a member of Madame Chiang's entourage. Some of these transfers were made directly through Madame Chiang and the others appear likely to have been for her account.

We have now established that during the month of May, Kung and Wu withdrew \$675,000 of such funds in cash. Other payments were made by check, including the following:

Pennsylvania Railroad	\$21,281
Bear Mountain Inn	2,722
Palace Hotel, San Francisco	1,945
Dr. Hollington Tong	8,111

In view of the extensive cash withdrawals it would be most difficult to pursue these transactions further at this point without an investigation which would be likely to become known to the public.

The above information has not been transmitted to anyone outside of the Treasury Department.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUN 11 1943

TO Secretary Morgenthau  
FROM Randolph Paul

I wanted you to know of the following new development in the Lazard Freres case.

On the morning of June 7th, Mr. Pierre David-Weill came to the Treasury and talked to John Pehle and two members of the staff. He presented a letter, a copy of which is attached hereto. The letter indicates that the \$1,500,000 transmitted to Switzerland in 1940 was, in fact, remitted to Lazard Freres, France. This fact had hitherto been withheld from the Treasury Department. We are inclined to believe that the primary reason for its disclosure at this time was the action taken by Foreign Funds Control a week or so ago in specially blocking \$1,500,000 of funds owned by Les Fils Dreyfus of Switzerland (through whom the money had been remitted) and advising Les Fils Dreyfus that their money would be released when Treasury obtained the full story concerning this transfer.

On Wednesday, June 9th, Frank Altschul came down and talked to Pehle about his position in the matter. Altschul contended that he had not until very recently known the true facts with respect to the transaction and the extent of Lazard Freres' participation therein.

In view of this new development, the Lazard Freres matter must necessarily be entirely recanvassed. We are this week conducting new interrogatories of the principal parties and hope to develop the real facts concerning this transfer.

We will keep you advised of any new developments.



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give us facilities which in other times would have been readily available.

In the beginning of September 1940 my father was deprived of his nationality and his properties in France were confiscated by the Vichy Government. Parenthetically, I add that the same measures were taken against Andre Meyer, who, as you know, had arrived in this country in July 1940. At the time of which I speak it had already become evident that measures of exception would probably strike us, and the rate of our depositors' withdrawals had been increasing rapidly. We had always taken great pride in the firm's reputation and credit and I found myself in a position where if I could count on no help from our assets outside of France I could not see how my firm could punctually fulfill its commitments. In the atmosphere which was being created by Nazi propaganda, anything short of a prompt fulfillment of our commitments, even though brought about by oppressive measures and in spite of our complete solvency, would have been turned into a financial scandal, which would have hurt not only my father, Andre Meyer, and myself and their families and direct associates but would have been a further tragedy for the whole communities with which we were identified.

In my mind under these circumstances it was essential for me to exert every conceivable effort to bring into unoccupied France sufficient of our liquid resources outside of Europe to permit us to discharge all our obligations on demand.

To this end, I communicated with Les Fils Dreyfus, Basle, and impressed upon them the urgency of getting without delay funds remitted to me in Chatel Guyon, in unoccupied France, where our office had been established at the time of the French collapse. They understood the situation perfectly and were, as you know, finally successful in obtaining the necessary funds. These funds they remitted to us and they reached us just in time to avert the great difficulties which I had feared, and enabled me to pay out nearly all the creditors of the firm.

I had known all along that there were funds on deposit in Argentina on which in an emergency I could count. I thought that to bring this money into France was an exceedingly natural and simple operation. It was not until I reached New York in May 1942 that I learned that some of this money had at that time already been transferred to New York and the balance was in process of such transfer. There was brought into the United States from South America, as has been stated, sums in excess of the amount remitted to Switzerland.

- 3 -

Through Les Fils Dreyfus, Basle, requests ultimately reached New York to make the payments to Switzerland.

My partner, Andre Meyer, who had come over here with his wife and children at the time of the armistice, felt deeply upset at the thought that, as a consequence of his having left France for reasons of personal security, he had left his responsibilities in France and abandoned his firm and his lifelong friends. He felt that it was his supreme duty to conduct himself in such a way that everything possible might be done.

After having paid the bulk of our creditors and having enough cash to pay the rest, and to continue to take care of our small office staff, as was still necessary, we were able to withdraw from the firm, because some previously unliquid assets had become liquid before all withdrawals became impossible to Jews, about sixty million francs, which were loaned to several friends in unoccupied France, all French nationals, and in this manner prevented these funds from being seized by the Vichy Government as belonging to non-Aryans. The discharging of all these responsibilities was a burden which in our long tradition we had undertaken quite naturally in order to maintain the name in which, as I have already mentioned, we take great pride. The record in this investigation, I am sure, has afforded you convincing proof that to the same end, and particularly in one dramatic instance, we have always conducted ourselves similarly in the past.

The Vichy decrees and the German "ordonnances" have obliged us to go out of the banking business in France. We believe and we hope that the United States Treasury is sympathetic to our desire to have our firm continue as an active banking firm in this country, where it has been established in business for nearly a hundred years.

Andre Meyer and I regret that the telling of these additional facts has been so long postponed, but the burdens and difficulties with which we have been beset must be our only excuse.

Sincerely yours,

(Signed) P. David Weill

Signed in the presence of the undersigned - June 7, 1943:

(Signed) John W. Pehle  
Lawrence S. Lesser  
Orvis A. Schmidt

**TREASURY DEPARTMENT**  
**OFFICE OF THE SECRETARY**

June 11, 1943

**CONFIDENTIAL**

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended June 2, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*Jug*

kma:6/11/43

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71

FEDERAL RESERVE BANK  
OF NEW YORK

June 10, 1943

CONFIDENTIAL

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

I am enclosing our compilation for the week ended June 2, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,  
Vice President.

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

Enclosure

copy:kma:6/11/43

STATEMENTS OF CANADIAN AND AUSTRALIAN ACCOUNTS  
(in millions of dollars)

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds(d)	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds(d)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	1.3	19.3	-	19.3	+ 2.9
Apr. 28 - June 2	79.9	-	79.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	- 1.7
WEEK ENDS:																
May 5	6.7	-	6.7	22.8	-	-	-	22.8	+ 16.1	3.0	1.0	2.0	3.3	-	3.3	+ 0.3
12	56.5	-	56.5	12.3	-	-	-	12.3	- 44.2	12.0	12.0	-	12.8	-	12.8	+ 0.8
19	6.6	-	6.6	24.8	-	-	-	24.8	+ 18.2	3.0	3.0	-	3.5	-	3.5	+ 0.5
26	2.3	-	2.3	19.3	-	-	-	19.3	+ 17.0	-	-	-	0.1	-	0.1	+ 0.1
June 2	7.8(f)	-	7.8	16.6(a)	-	-	-	16.6(f)	+ 8.8	3.8	3.0	0.8	0.4	-	0.4	- 3.4

Weekly Expenditures

First year of war 6.2 million.  
 Second year of war 8.9 million.  
 Third year of war 10.1 million.  
 Fourth year of war (through June 2, 1943) 8.8 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.  
 (b) For monthly breakdown see tabulations prior to October 8, 1941.  
 (c) For monthly breakdown see tabulations prior to October 12, 1942.  
 (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.  
 (e) Does not reflect transactions in short term U. S. securities.  
 (f) Includes \$7.1 million deposited by War Supplies, Ltd. and \$9.3 million received from N. Y. accounts of Canadian Chartered Banks.

**RESERVE AND FOREIGN ACCOUNTS**  
(In Millions of Dollars)

Week ending June 19, 1941

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE			
	D E B I T S				C R E D I T S						Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Offi- cial Aus- tralian Account	Other Credits (c)					
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0	
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1	
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1	
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1	
<b>1942</b>														
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7	
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3	
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1	
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-	
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-	
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-	
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-	
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-	
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-	
<b>WEEK ENDED:</b>														
May 5	6.8	4.7	-	2.1	17.8	-	-	1.0	16.8	+ 11.0	-	-	-	
12	65.0	59.7	-	5.3	24.8	-	-	12.0	12.8	- 40.2	-	-	-	
19	8.4	3.4	-	5.0	33.5	-	-	3.0	30.5	+ 25.1	-	-	-	
26	5.2	4.1	-	1.1	15.0	-	-	-	15.0	+ 9.8	-	-	-	
June 2	5.0	2.4	-	2.6	12.3(j)	-	-	3.0	9.3(j)	+ 7.3	-	-	-	

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

See attached sheet for footnotes.

England (through June 19, 1940) \$27.6 million  
England (June 20, 1940 to March 12, 1941) \$54.9 million  
England (since March 12, 1941) \$22.7 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiations. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Of which \$6.3 million appears to represent current and accumulated dollar proceeds of sterling area services and merchandise exports.

KEM

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking via N.R.  
Dated June 11, 1943  
Rec'd 3:35 p.m.

Secretary of State,

Washington.

896, June 11, 11 a.m.

FROM FOWLER FOR STONE BEW

A prominent businessman of Shanghai, C. H. Ho, left that city on April 11 taking 53 days for journey to Chungking. His report on Shanghai conditions at time of his departure follows:

One. Fapi was quoted at Chinese dollars 1.20 for CRB one dollar. At one time CRB was worth over double the value of fapi and the drop is due to complete lack of confidence in this Japanese sponsored currency.

Two. The only cotton mills operating are Japanese and Chinese and these are on quota basis in so far as raw materials are concerned. Japanese mills receive 70% and Chinese 30% of raw materials. Japanese mills are operating 24 hours per day.

Some months ago

Three. (Y) all motor busses were commandeered and have disappeared from the streets. It was said that the busses were to be dismantled by the Japanese authorities mainly for their metal content.

Four. He also reported that according to rumor the JuKong wharf which is situated down river in the direction of Woosung was a big Japanese goods concentration center and tons of material were down there awaiting transportation elsewhere but held up owing to lack of vessels.

Five. Many persons in Shanghai hope the Allied Air Force will come one day to bomb objectives there. He felt this would add considerably to their morale as many persons there feel they have been forgotten by the rest of the world. He said he felt that it would be a good thing to bomb Shanghai (?) (?) because of the dislocation of Japanese sponsored industry that would result. → power plant)

ATCHESON

MRM

Garbled groups serviced.

eh:copy  
6-15-43

HEL  
 This telegram must be  
 paraphrased before being  
 communicated to anyone  
 other than a Governmental  
 agency. (BR)

Chungking via N.R.  
 Dated June 11, 1943  
 Rec'd 2:50 p.m., 13th

Secretary of State,  
 Washington.

901, June 11, 4 p.m. (SECTION ONE)

FROM ADLER FOR THE SECRETARY OF THE TREASURY

TE 131. Economic conditions in occupied areas  
 Section one. Financial.

(1) On March 24 Japanese announced that no new military yen will be issued in Central and South China as from April 1 and that military yen will be gradually withdrawn at the rate of CRB \$100 equally 18. All payments and receipts of puppet national treasury and loans, remittances and contracts will henceforth be made in CRB dollars. This is one of the apparent concessions to the Nanking regime in the economic sphere recently made by the Japanese (see section two, one and two).

(2) On the other hand the Japanese have announced that as from June 1 the military yen will be the sole legal tender in Hong Kong and Hainan. Military yen continues to exchange at one to one with FRB dollars of North China.

(3) Currency

-2-, #901, June 11, 4 p.m., (SECTION ONE) from Chungking  
via N.R.

(3) Currency in circulation in North China March 20 FRB dollars 1746 million. Deposits in 22 Peiping Chinese banks at the end of February totalled \$185,000,000 and loans \$104,000,000.

(4) Fapi still continues to be held in Shanghai. While official rate still CRB one dollar against CN two dollars, market rate about one to one and has been as high as CN 80 cents against CRB one dollar. Fapi in demand in Shanghai for purchases of food in villages and from migrants to free China. Shanghai rates at the beginning of March in CRB dollars; gold bars (ten ounce) \$41,500 - \$48,400, United States dollar notes dollars 59-65, Hong Kong dollars 6.70 - 7.00, FRB dollars 3.33 - 3.53. In Hong Kong CRB dollars have depreciated and exchanges at one to one against fapi, 100 to 17.4 against military yen and 100 to 56 - 58 against Hong Kong dollars. Exchange operations between Hong Kong and Shanghai have consequently been active in spite of official exchange controls and restrictions against movements of various currencies between different parts of occupied China.

(5) Japanese have opened up remittance businesses in Indo-China

-3-, #901, June 11, 4 p.m., (SECTION ONE) from Chungking  
via N.R.

in Indo-China, Thailand, Burma, Philippine Islands and South Seas, permitting a maximum remittance of 50 yen per month to beneficiaries in occupied China. Business is monopolized by Yokohama Specie and Bank of Taiwan, except in Indo-China where it is handed by agent of Mitsui and Mitsubishi. This chief business is conducting rice monopoly, rice being purchased with money received from Chinese for remittance to their families in Occupied China, and remittances not being consummated until rice has been shipped and sold. Japanese in Occupied China are prohibiting delivery of letters from Europe and America and holding of United States dollars and pound notes.

(6) Value and number of bills cleared by Shanghai bill clearing house in 1942 20 to 50% less, respectively, than in 1941. In the latter half of March five commercial banks with total capital of CRB dollars 13,000,000 opened in Shanghai. Shanghai bank rates in March \$5 and \$28 per \$1000 per month for deposits and loans -- no change on February.

(7) Nanking Ministry of Food issued CRB dollars 500,000 of food bonds in March to be sold by CRB.

Nanking

-4-, #901, June 11, 4 p.m., (SECTION ONE) from Chungking  
via N.R.

Nanking Ministry of Finance has promulgated regulations restricting bank loans in order to check rising prices and speculation.

**Section two. ECONOMIC**

(1) Nanking Government recently reported to have made an agreement with Japanese by which in return for Japanese abolition of restrictions on private trade in rice it will delivery 380,000 tons of rice per annum to Japanese armies in Central China. Rice now moving more freely in puppet areas and price has consequently fallen.

(2)

ATCHESON

WSB

LSH  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Governmental  
agency. (BR)

Chungking via N.R.  
Dated June 11, 1943  
Rec'd 2:35 p.m.

Secretary of State,  
Washington,

901, June 11, 4 p.m. (SECTION TWO)

Japanese Embassy in Nanking has issued a statement to the effect that since Pacific war Japanese Army has taken over more than 400 foreign and Chinese owned factories but has now returned 24 and will return remainder to puppet regime after negotiation. Factories returned include 10 cotton spinning mills, 2 petroleum companies 2 chemical firms and an oil refining factory, a tile kiln, an alcohol distillery, an iron foundry, a match factory and an electrical appliance factory. On the other hand:

(A) It is reported that Japanese have been moving machinery from Shanghai to Singapore and other places in south seas to facilitate manufacture of goods previously imported from Shanghai and thereby economize in shipping.

(B) In middle of March Japanese installed Japanese advisers in municipal governments of a number of leading cities in central and south China and will eventually

-2- #901 June 11, 4 p.m. (SECTION TWO) from Chungking  
via N.R.

eventually install them in all.

Three. Nanking regime established a central trade organization in March in order to centralize purchase and transport of material resources of central China to facilitate trade between different parts of occupied China and to coordinate trade and industry.

Four. Up to end of 1942 Japanese had conscripted over five million laborers in north China mainly for service in Manchuria. According to data published by puppet North China Labor Association number conscripted in 1937, 324,000 in 1938, 502,000 in 1939, 955,000 in 1940, 1,200,000 in 1941 1,000,000 and in 1942 1,611,000. In addition Japanese conscripted one half million men in Central and South China last year many of whom were sent to south seas.

Five. Prices and rationing.

(A) Shanghai price of rice fell to CRB dollars 400 per picul in April. This fall due to one above to trade agreements between "Manchukuo", North China and Nanking, and to exodus of population from Shanghai which has been estimated at not less than 200,000.

Central news

-3- #901 June 11, 4 p.m. (SECTION TWO) from Chungking  
via N. R.

Central news for June 10 reports that Shanghai cotton mills are nearing exhaustion. All Chinese textile mills have been closed down and only 15 percent of Japanese mills are still operating. Japanese have long rigidly controlled Shanghai cotton production allotting 65 percent of the available cotton yarn to production for military purposes and of the remaining 35 percent for non-military production allotting 25 percent to Japanese and 10 percent to Chinese factories.

(B) Peiping. Food rations now only nine catties, including corn and beans, per adult per month. Food prices at end of April in open market (per picul in FRB dollars, market value of which is Chinese dollars 6.1): flour \$280 corn flour \$200, rice \$310, maize \$220, millet \$210 to \$220, bean cake \$160

(C) Tientsin. Japanese drawing on their stocks to meet food ration requirements. Their announcement that they would import food from Manchuria and Mongolia has not been fulfilled. Shortage of cotton clothing as all seven spinning mills in Tientsin working on military orders.

(D) Canton. Reported that meat scarce and that business confined

-4- #901 June 11, 4 p.m. (SECTION TWO) from Chungking  
via N.R.

business confined largely to speculation. At the beginning of May rice 246 Chinese dollars per picul, beef 32 Chinese dollars per catty, pork 45 Chinese dollars per catty. Thus price of rice only one sixth of price in Chungking, but these for beef and pork double Chungking prices.

(E) Hong Kong. Though supplies from Indochina and Thailand adequate, rice and flour rations were reduced from 6 and 4 to 2 and 3 per person per day on March 1st in order to hasten exodus of population.

(F) Manchuria. Though food supplies ample, food ration fixed at 14 ounces per day. Private trading in food prohibited. Textiles are scarce and expensive (sources: Bank of China and Shanghai Commercial Bank Chungking.)

(END OF MESSAGE)

ATCHESON

RR

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET  
U.S. SECRET

OPTEL NO. 190

Information received up to 7 a.m., 11th June, 1943.

1. NAVAL

MEDITERRANEAN. 6th/7th. A very small scale raid with the object of destroying the RDF Station at LAMPEDUSA was prevented by enemy mortar and small arms fire. No Naval casualties or damage. 2 soldiers missing.

PANTELLERIA. 8th. Shore batteries bombarded by 5 Cruisers and 8 Destroyers in conjunction with bombing by strategical airforce who dropped 460 tons bombs on Island.

2. AIR OPERATIONS

WESTERN FRONT. 10th. In fighter operations, enemy casualties were 4, 2, 7. We lost 2 Spitfires. 3 Armed Trawlers damaged off DUTCH Coast.

SARDINIA. 8th. 46 Lightnings (P.38) dropped 14 tons in attack on SERVARIU (31 miles West-Southwest of CAGLIARI) and airfield at VILLACIDRO.

SICILY. 9th. Escorted Liberators (B.24) dropped 75 tons on airfields at CATANIA and GERBINI, where a hangar was hit and a number of aircraft on ground set on fire.

MEMORANDUM

June 11, 1943.

TO: The Secretary

JLS

FROM: Mr. Sullivan

Pursuant to an appointment made for me last night by Mr. Gaston, I called on Steve Early. I brought with me the question and answer for the President's press conference relating to compulsory savings and also brought the editorial from the Washington Post this morning. This editorial dealt with Justice Byrnes apparently superseding the Secretary in charge of taxes, about which I talked to you over the phone this morning.

Mr. Early greeted me with the inquiry, "What in the world is the Treasury so jittery about?" I replied that the confusion over the compulsory savings was wrecking the morale of our entire field force at a time when we were just starting to step up our payroll allotment plan. Mr. Early inquired how many volunteer workers we had and I told him between 300,000 and 400,000.\* Early said that he had always been for voluntary savings and thought it would be a mistake to go into compulsory savings. He added that the question and answer presented checked in accordance with the President's previous press conference. He had a transcript of that press conference on his desk.

I explained to him that unless this matter was straightened out very soon it would have a devastating effect on our entire Bond program. He then called in Earl Godwin and discussed the matter with him. Godwin appeared to be in our corner and I gave them both a little fight talk on the twenty-seven million people setting aside 9 per cent. I also referred to the fact that this was the only real morale-building on the home front, that it was the only thing that management and labor appeared to agree on, that it was the only thing that all the people of America had recognized as their opportunity to make this war a personal affair for themselves.

Godwin and Early deleted part of the question so that there would be no implication that the President might ask for compulsory savings after the September drive. Godwin agreed to ask the question and then asked if he could talk with me later about the Bond program so that he could get the real story to the people on the air. I told him I would be very glad to talk with him.

\*I was referring to the volunteer workers between drives and exclusive of additional workers during the War Loan Campaign.

- 2 -

After Godwin left, Early inquired why the Treasury had been hot and cold on voluntary savings. I told him that the Treasury was very hot on voluntary savings.

I then thanked Mr. Early for his thoughtfulness in tipping me off about the announcement that the tax bill had been signed. He said that there was a "nigger in the woodpile", that there was something going on that he hadn't yet been able to figure out. I told him that I suspected the same thing but had not been able to solve the riddle.

Question: Mr. President, at your press conference last Tuesday you indicated that both higher taxes and compulsory savings would be necessary to close the inflationary gap, and you indicated that you would ask Congress to do something about it. Do you intend to ask Congress for a compulsory savings plan before the September Bond Drive? It seems to me that if you did, there wouldn't be much use to have a bond drive.

President: I didn't say that a compulsory savings plan was an immediate necessity.

I was asked "if compulsory savings may still be necessary to eliminate this inflationary gap," and I replied that this was possible. I also said that taxes and compulsory savings might be used jointly -- I didn't say that they necessarily would be used jointly in the immediate future.

At the present time the public is supporting bond drives with a great deal of enthusiasm. As long as they continue to do this, I feel, as Chairman George expressed himself as feeling after the Second War Loan, that compulsory savings will not be necessary.

If the public oversubscribes the Third War Loan as they did the second, that will certainly put the need for compulsory savings still further in the background.

However, if the war goes on long enough, and the inflationary gap gets wider, and increased taxes along with the voluntary purchase of bonds is not able to siphon off enough of the added money that is going into people's pockets, then compulsory savings may become necessary.

June 12, 1943  
9:14 A. M.

Daniel  
Bell: Hello.

Operator: Mr. Bell.

B: Yes.

Operator: Mr. Bell. There you are.

Fred  
Smith: Hello.

Daniel  
Bell: Good morning.

S: Good morning. (Talks aside: You want me...) Wait  
a minute. (Talks aside)

B: Hello?

S: Just a minute. We made some changes in the speech.

B: All right.

S: The rest isn't important, but this is - as we got  
to the speech - this is important, and we want to  
read it. You're making a record there, uh?

B: Yes.

S: These are some figures from Haas? "Between July  
1st and the end of the year, the Government will  
need approximately \$52 billion. Present taxes and  
other receipts will cover about \$17 billion, leav-  
ing \$35 billions in deficit. It is proposed that  
we borrow in all about \$41 billion in order to  
build up the cash balance. Borrowing from non-  
banking sources would cover \$32 billion of this,  
with \$18 billions for individuals - from individuals  
and \$14 billions from insurance companies, corpora-  
tions and other large investors. Borrowing from  
banking sources would produce the remaining \$9  
billion."

B: Uh huh.

S: All right.

B: Yeah. Where does that go?

- 2 -

- S: Oh, that - that - that goes in the middle of the speech here. Just a minute and I can tell you where it goes.
- B: You mean sunrise and sunset.
- S: It goes about on page 5. We haven't actually put it in the speech yet, and the way it reads now - and Mr. Morgenthau hasn't read this yet, either. Now I'll read it to you. Now I've got - I've got some more that goes in there too.
- B: I see. Well, go ahead.
- S: I'll place it first, then I'll go back and finish that other sentence. On page 5 there, where it says that - that he wants you to invest not another \$7 billion, but far more, and then something like this probably -- "To be exact, unless we are able to get more from taxes than will result from the present schedule, we will have to ask you to lend your Government, during the next six months, about \$18 billion or twenty-five cents out of every dollar you earn...."
- B: Uh huh.
- S: "...I want you to know how we arrived at that figure." Then we pick up the stuff I just gave you.
- B: Yeah.
- S: Then we go on after that and say, "This is going to be - (Wait a minute) this is going on the assumption that we will have a fourth War Loan in December and with the result that we would go out at the end of the year with a cash balance of about \$15 billion. A program of this description is necessary if we are to confine ourselves to three War Loan Drives a year, and that explains why we have to go out at the end of the year with such a large working balance, in order to carry us until the next War Loan Drive in the Spring." Now that - that follows with that other thing I just gave you.
- B: Yes. The Secretary wants that in - has he been over that?
- S: Yeah. He's been over that. That - the - the - everything that I gave you except this business about taxes, he's been over.

- 3 -

B: I see.

S: All right.

B: I think the Secretary's getting out on a limb six months - seven months early....

S: Yeah.

B: ...then why do we complicate a picture by talking about what our balance will be.

S: All right.

B: That's my first reaction to it.

S: Wait a minute. (Talks aside) He said, "How about the first half of that, do you go along with that...."

B: Well....

S: "...all except this working balance business?"

B: Well, I may go along with that, but I just - my first reaction to it is, why do we complicate a - a picture by telling what our - our general fund balance is going to be and, two, why did the Secretary get out on a limb about the Fourth War Loan seven months in advance?

S: Yeah. All right. Just a minute. (Talks aside.)

HMJr: Dan?

B: Yes, sir.

HMJr: What I've been doing here, to give you a little background, is this. The way the thing was written first, they just popped \$18 billion, see? Hello?

B: They just what?

HMJr: They just say we need \$18 billion from individuals....

B: Yeah.

HMJr: ...and didn't explain how they arrive at that figure. So I called up George at 7:15 this morning and he claimed he was awake....

B: (Laughs) Uh.

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HMJr: ....and I got him to go to work to explain these - give me these figures which we've just read to you.

B: Uh huh.

HMJr: Now I talked with Burgess twice this morning. I wanted to get his reaction, and as a result of that I've eliminated saying how much we expected to get in September, because I don't want to pin myself down, you see?

B: Yes.

HMJr: Supposing I - while we're going to try to get \$7 billion in September, supposing we get six-and-a-half, then everybody who is for compulsory saving - "See, it's a failure," but we might perfectly well pick up eight in December. Hello?

B: Yes, I'm listening.

HMJr: So that would give me a little lee-way. Now....

B: In other words you're trying to explain when you expect to get the \$18 billion.

HMJr: Well, the \$18 billion I'm proposing to get is on July 1st and December 31st.

B: Yes. Well, my reaction to it was that, first, you were complicating it by talking about the balance, I mean, you - you - you....

HMJr: Well, how....

B: ....there's so many figures in it and then the other is....

HMJr: Dan?

B: Yeah.

HMJr: I'm going to argue with you. How are you going to explain that you've got to borrow - that your deficit is \$35 billion, isn't it? I haven't got the figures with....

B: Well, that's what they gave it. Fifty-two billion....

HMJr: Yeah.

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B: ....expenditures. I don't know. I'll have to check up on it.

HMJr: Let me use the - a round figure - \$35 billion....

B: Yeah.

HMJr: ....and that you're going to borrow forty-two....

B: Yes.

HMJr: ....so you - you've got to explain that by saying that you're going to have a working balance on the first of January of \$15 billion. Now Lindow says that - I - I just wanted to say we were going to borrow \$35 billion to make up the deficit. He said, "We can't do that because we built up such a large working balance on May 8th." And he said, "If we only borrowed \$35 billion to make up the deficit, we - then we'd only show we were going to get \$3 billion from the banks." And he says that that's incorrect.

B: Uh huh.

HMJr: So he said, "We'll be borrowing close to nine and unless we explain as we go out at the end of the year with about a working balance of fifteen, the thing just doesn't add up because we - the people'll say, 'Why do you want to borrow \$42 billion, if your deficit is only thirty-five?'"

B: Oh, I see.     

HMJr: What?

B: Well, it may clear up when I read it. I haven't read the speech yet. I just got it.

HMJr: You - you - you - you see what I got?

B: Yes. Well, it may - it may clear up.

HMJr: What's that?

B: It may clear up when I read the - the whole thing and see how it fits together and we get what Smith has dictated.

HMJr: Well, I - I can't say we're going to borrow forty-two to make up a deficit of thirty-five, unless I explain that what the - our cash balance is going to be, then I say, "Our cash balance will be around fifteen on the first of January in order to carry it through to the next drive in the spring."

B: Well, you could simplify the whole thing by saying nothing about the deficit and you're going to need about \$40 billion between now and the end of the calendar year.

HMJr: Well, I - I - I'd like to argue with you. I.....

B: W.....

HMJr: ...., think that if you just talk about a deficit and don't explain both sides of the ledger; how much we're going to spend; how much is tax receipts; and what the difference is; I don't think it's - I - I - I just think it's a short cut.

B: Well, if you're going to put in all the figures, I think you're right.

HMJr: But the alternative - wait a minute - I'll repeat this. (Talks aside) Hello?

B: Yes.

HMJr: Albee is sitting here. He said we did that in the first place and he said it didn't explain enough.

B: In....

HMJr: Well, I mean in....

B: ....in the first draft.

HMJr: ....I - well - you - I mean - if we just use the total borrowing figure....

B: Uh huh.

HMJr: ....it - it - it doesn't expl.. - it - when I'm talking about the end, I say I'm giving a blueprint.

B: I see.

HMJr: An indelible.....

B: Well.....

HMJr: ....blueprint.

B: ....let us read the speech and see how it comes out.

HMJr: What?

B: Let us read the whole thing. We haven't been over it yet at all.

HMJr: Well, this is the whole guts - I mean - we've changed the - we're not going to have any reference to the Japanese or the Italians - we've cut all that stuff out.

B: You have?

HMJr: Yeah.

B: Well, then we're going over - we don't know just what you've got before you then, do we?

HMJr: Well.....

B: Except what.....

HMJr: Look - look. None of the speech is im - important, except this financing stuff.

B: I see.

HMJr: And if I can get that straight with you, I'm not - I don't - I'm not worrying about the rest.

B: Okay. Well, we'll get this on the record and see how it fits.

HMJr: You - you see what I mean?

B: Yeah. The Tribune said that you did all this yesterday.

HMJr: What?

B: The Tribune said you did all this yesterday, so I don't see much use in all of us (laughs) worrying.

HMJr: How do you mean the Tribune said I did....

B: Why, they said you presented the flag yesterday at Kingston and another one at - at a town across the river.

HMJr: The Tribune said I did this yesterday.

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- B: Two-thirty yesterday and four-thirty in the afternoon at another place. (Laughs)
- HMJr: That's what they say.
- B: (Laughs) So, I think we're - we're working kind of behind time here.
- HMJr: Well, the Tribune's a little previous. I haven't seen the papers.
- B: Yeah.
- HMJr: Now look....
- B: Yeah.
- HMJr: ....if - if you want to argue as to the figures or question them, Haas is sitting in a hotel room at the Nelson House in Poughkeepsie.
- B: All right.
- HMJr: That's where Haas and Lindow are.
- B: All right. Well, I - I don't think I want to argue about them. I - they sound about right, and we can change those to whatever they actually are, and....
- HMJr: I - I thought you were going to argue with one - in the speech I'm announcing September 7th.
- B: Oh, you are.
- HMJr: Yeah.
- B: I see. No, I - I'm - I just thought maybe as I looked - as I started over it, that there were too many figures and you'd get into complications by talking about the general fund balance and - and all of that, but I - I can see your point.
- HMJr: I - I'm doing - after all, I want the people to take a pencil and follow it....
- B: Uh huh.
- HMJr: ....in as much as it's more really for the newspapers and it's more also for this - the other crowd in New York. Here's to - I mean in - in Washington - here's what - here's what the plan is - now you may be right,

(Cont'd.)

HMJr:  
(Cont'd.) and maybe I'll come back and simply say I've got to borrow so much and not explain the deficit and the taxes and all that. But, on the other hand, if I don't show the revenue, I'm only giving them half the picture.

B: Yeah.

HMJr: I ha.. - I wish you'd - are there other people present?

B: Yes. Gaston, Sullivan, Gamble and Shaeffer and Mrs. McHugh.

HMJr: Well, now let me just talk to Gamble a minute.

B: All right. I want to talk to you again before you leave.

HMJr: Why don't you tell Mrs. McHugh to type up the first part of this, or at least to get a girl to type up the first part.

B: All right.

HMJr: That'll be sufficient. They can start that going.

B: Here's Gamble.

HMJr: Hello.

Ted  
Gamble: Hello.

HMJr: Ted.

G: Yes, Mr. Secretary.

HMJr: Now, of course, the thing that - that worries me on this thing is, that this \$18 billion figure of Lindow's which is 75% of the people's savings....

G: Yeah.

HMJr: ....how - how confident are you that you can get it?

G: How confident are we that we can get the seven billion that they want in E Bonds.

HMJr: \$18 billion.

G: Well, the - the \$18 billion is....

HMJr: From now until the first of January....

G: Yes.

HMJr: ....from individuals.

G: Well, I think it's a - a big chore. What we're - what - what that calls for, Mr. Secretary, is stepping up from this April drive in September from \$3 billion three that we got from individuals....

HMJr: Yeah.

G: ....that's what we actually got from individuals....

HMJr: Yeah.

G: ....to seven billion.

HMJr: That's right.

G: Now that's quite a jump. I think we can step up, but everybody has always been afraid that maybe that called for stepping up a little too fast with individuals, and I think we ought to be - have some room to turn around in on that figure.

HMJr: Well, that isn't very reassuring.

G: Sir?

HMJr: I've been using this \$18 billion. They tell me I used it at Newark.

G: Yes, I - that's true. And the \$18 billion figure, of course, is - that's the figure we ought to - to go after. That's the amount of money that there is available, but that calls, even in the language of Lindow and Haas, for a perfect job, and they know that that's a pretty difficult - to - at this stage of the game to come in with a 100% job.

HMJr: Yeah.

G: You know what - what an operation we had in April, and it means doing a little better than twice as well as that with individuals.

HMJr: I know.

G: Sir?

HMJr: It's two-and-a-half times....

G: Yes, sir.

HMJr: See?

G: Now there's a physical problem there. The - the - the people have the money, but there's a - a problem of distribution even of these securities. Because when you talk about raising from three billion three up to seven billion, with a large percentage of that - \$4 billion of that E Bonds, that's - you've got - that's a job that will tax the facilities of the banks to distribute the securities if you can sell them.

HMJr: Well, that's all the more reason that I'll have to do some hedging if you're so unsure of this.

G: Well, it isn't - you want me to tell you what we really think.

HMJr: Yeah. But then....

G: And....

HMJr: ....I'm going to hold you to it.

G: That's right. That's right. And I - I think that that's - I think it's probably more than we can do, Mr. Secretary.

HMJr: More than you can do.

G: Yes, sir.

HMJr: Yes. Over six months, not just September.

G: No, I'm talking about September now. The seven billion....

HMJr: I'm talking - I'm not going - I'm not going to isolate September. I'm talking about July 1st to January.

G: Well, I think you have to use that figure in any event.

HMJr: What?

G: The \$18 billion, when you talk about July to December.

HMJr: From July 1st to January 1st?

G: Yes, sir, I think you have to use that figure.

HMJr: Yeah, but what's the chances of getting it.

G: I think the chances of getting it are probably not too good, of getting that amount of money.

HMJr: I - I don't want to go out on the end of a limb on this thing.

G: No. Well.....

HMJr: I don't know who slipped me that \$18 billion figure at Newark.

G: Yes. Well, that was - that's the figure that has come out of the Haas shop as the amount of money that would represent a perfect job on individuals. Then whether we'll - you're asking me to be very frank now, whether we'll ever do a perfect job or not, I don't know. We may do seventy-five or eighty percent job.

HMJr: I see. Yeah. Well, you fellows may as well stay in my room because I'll be calling you back again.

G: All right, sir. We'll stay right here.

HMJr: All right.

G: Goodbye.

June 12, 1943  
10:06 A. M.

HMJr: ".....unless we are able to raise the tax rates before the end of the year, and before the end of the year to get more from taxes than - than will result from present tax schedules, we expect that we may have to ask you to lend your Government during the next six months about \$18 billion." Now I'll repeat it so everybody can get it. Is Sullivan there?

B: Yes, sir.

HMJr: You mean....

B: Talk into the phone, will you, we're having a little difficulty hearing you.

HMJr: What's that?

B: Talk directly into the phone, we're having a little difficulty hearing you.

HMJr: Is Harry there too?

B: Harry White. No.

HMJr: Well, send for him, will you?

B: All right. All right.

HMJr: I'll - I'll - can you hear me better?

B: Yes, that's better.

HMJr: "To be exact, unless we are able to raise the tax rates before the end of the year, and before the end of the year to get more from taxes than will result from the present tax schedules, we expect that we may have to ask you to lend your Government during the next six months about \$18 billion." Now what I want to ask the gang is; is that saying enough about taxes? One of the alternatives was this: "To be exact, unless we are able to raise the tax rates before the end of the year, which I sincerely hope we will...." Now the trouble is this -- this -- the reason we've written it this way, is that I hope that they'll get another tax bill, but there's no chance of getting the new taxes effective before January 1st.

- 2 -

- B: That's right.
- HMJr: And what I don't want is - I - I - I frankly don't want them retroactive and I know I can't get them through retroactive, that is current on this year, because your - both George and Doughton told me I couldn't.
- B: Well, that is what was going through my mind when you read your first suggestion. After....
- HMJr: I'll read it once....
- B: ....you've got to have the \$18 billion from a practical standpoint, because you're not going to get any taxes - new taxes this year....
- HMJr: (Talks aside)
- B: ....that would yield any money.
- HMJr: Well, let - let me read this thing once more.
- B: All right.
- HMJr: And whether this is enough on taxes, and whether they can say - throw it back at us in any way, see? Is Sullivan listening?
- B: Yes.
- HMJr: "To be exact, unless we are able to raise the tax rate before the end of the year, and before the end of the year to get more from taxes than will result from the present tax schedule, we expect that we may have to ask you to lend your Government during the next six months about \$18 billion." Now what's the matter with that figure as individuals?
- B: Well, it sounds pretty good. The thing that's running through my mind is, why shouldn't you acknowledge the practical situation and say, "You realize that you can't get any more taxes this year, or get a tax bill that will effect increased collections in the calendar year."
- HMJr: Well, I'm afraid of that.
- B: Herbert thinks that -- John thinks it's better probably the way you've got it.

- 3 -

HMJr: Is Herbert there too?

B: Yeah. They - they think keep a little heat on.

HMJr: What's that?

B: They - they think that it's better the way you've got it than the way I suggested. They say, "Keep a little heat on."

HMJr: Are they satisfied?

B: They think it's better.

HMJr: What?

B: Yeah. We're not satisfied with you getting out on a limb on \$18 billion.

HMJr: Well, I've got a sentence which I'm going to read you now....

B: Yeah.

HMJr: ....which follows here. Hello?

B: Yes.

HMJr: Right after this thing here, where I say, "We expect that we may have to ask you to lend your Government during the next six months about \$18 billion." Because the time to worry was when they slipped me those \$18 billion figure which I used at Newark. But this - Hello? ....

B: Yes.

HMJr: ....now this is what I propose: "We expect that we may have to ask you to lend your Government during the next six months about \$18 billion. I want to stop a minute to explain how we've arrived at this \$18 billion figure. This is the figure which has been furnished to me by the Treasury statistician and actuary, and this is a theoretical figure aiming at a 100% perfection. Now it's the job of the Treasury's technicians to furnish me with such a figure, and it's your job to try to reach as near 100% perfection as possible."

- B: Is that the end?
- HMJr: That's the end.
- B: (Laughs) I think it's trying to make some excuse for the figure.
- HMJr: Well, it - I have to. I - I....
- B: Well....
- HMJr: ...it's the truth.
- B: ....what - what would you think of saying that you ask them to buy - you told them you buy - you bought \$7 billion for the first half of the year....
- HMJr: Yeah.
- B: ....but in the next six months we will have to ask you to invest more than twice that amount. We will get many billions and more from corporations and other large buyers, but we are calling upon you to - as individuals to buy more than twice the amount of bonds that you bought during the first half of the year.
- HMJr: Well, the trouble is, we've used this \$18 billion figure.
- B: Well, you used it in a rather general sense in your Newark thing and ~~I~~ I think that it's three months before the second - the third campaign and it ought to be a little closer if you're going to use it at all. And it seems to me that you ought to make this rather general. And....
- HMJr: You don't think that this thing I just read you will do it?
- B: No. I think that's too much of an excuse for the figure. And I think if we don't make the \$18 billion why, I - well, I think when you go into the third War Loan, if you don't get anything like half of the \$18 billion and then they're going to say, "Well, it's a failure", and you're going to have a drive for enforced savings right after that. At least that's what we've been talking here in the last hour. And another place in the speech, I think you say some-

(Cont'd.)

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B: (Cont'd.) thing like \$ 4 billion from the monthly totals, which isn't any increase at all.

HMJr: Well, that's out.

B: That's out, huh?

HMJr: I think so.

B: Yeah.

HMJr: Let me - let me just read you this page which I've got here, see?

B: All right.

HMJr: Let me - let me read you this thing. I'll just repeat to Albee what you've said. (Talks aside)

B: More than twice the investments in the second half of the year, as they made in the first half. We've got a language here that we'll work out, but something along that line.

HMJr: Hello?

B: Yes.

HMJr: He says it's a little late for me to be scared....

B: Well, I mean - that's kind of died now and that saves you going into all these other figures that Smith gave us awhile ago. And it also leads right into the next paragraph, which, "In other words in addition to your taxes, you're going to be asked to lend your Government twenty-five cents out of every dollar you earn." That's all right. It keeps it very general and doesn't state the specific amount.

HMJr: Let - let - let me read you what we've got here now.

B: All right.

HMJr: It reads like - now - "There's a job for these Treasury technicians to furnish me with such a figure and it's your job to try to be as near a 100% as possible. I want you to know how we

(Cont'd.)

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HMJr:  
(Cont'd.)

arrived at that figure. Between July 1st and the end of the year, the Government will need approximately \$52 billion. Present taxes and other receipts will cover about \$17 billion, this leaves \$13 billion in deficit. It is proposed to borrow in all about \$41 billion in order to build up the cash balance. Borrowing from non-banking sources will cover \$13 billions of this and perhaps as much as eighteen of the \$32 billion coming from individuals. According to that figure, this \$18 billion will be fair, and saving out of our \$72 billion of national income during the remainder of the year. According to our present plan we're asking you to spend practically all of your savings in War Bonds in the next six months, and this amount is about twenty-five cents out of every dollar you earn. It is important that we get this amount of money either in taxes or bonds, not only to finance the war, but to protect ourselves against inflation. Now if we're going to get \$32 billion from non-banking sources that leaves - that leaves \$9 billion to come from banking sources, and it's our plan at the present to make \$9 billion from banks. You will also be interested to know that in successive drives, we have managed to get less and less from the banks and more and more from non-banking sources, and particularly from individuals. Now that sounds like a lot, and it is a lot, however, we know the money will be there and in order to get it we will have to have a more efficient sales organization than ever before. It means that we'll have to have more volunteer workers, because we'll have to sell bonds to about nearly every man, woman and child in America. It means solicitation from house to house; bench to bench in factories; desk to desk in offices. I am sure we'll be able to swing this tremendous job if we all work together and I have good reason for having this confidence. First, we proved that we will - that we have the will to do it. During the second War Loan in April we asked the people, the individual investors to buy two-and-a-half billion dollars worth of bonds, and they bought three-and-a-quarter. We asked insurance companies - so forth and so on.

B: Yeah. Now that's all new?

HMJr: What?

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B: That's all new.

HMJr: The way I'm handling it.

B: Yeah.

HMJr: And with the apology at the beginning that this is a theoretical figure and how we arrived at it.

B: Well, I - I - that worries me a little, saying that "these are figures of statisticians" and I - I don't think we ought to do it. Yeah, that - that....

HMJr: That's where we got it from.

B: Well, (Laughs) they're all of course highly theoretical figures and....

HMJr: What....

B: ....rough estimates and that's what you said before the drive, that these are - have to be very rough estimates, but - yeah - but we'll have that copied and take a look at it. But I think it's getting close to the deadline....

HMJr: I know.

B: ....we would prefer to leave out so many of the figures and keep it general at this stage of the game.

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

B: But....

HMJr: ....<sup>1</sup> - I mean - I'd have to re-write this whole business.

B: I don't think so. I think we could make a few changes and still make it general, and keep out a lot of the figures. It would change very little of the speech.

HMJr: Well, it - the whole - the guts of the speech is what I've read to you just now.

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B: It may be the guts, but it's three months before the - you have to say it.

HMJr: Yes, but I mean, if there're going to be any changes it's in here.

B: Well, I think we'd eliminate practically all of that.

HMJr: You'd eliminate all of that?

B: Yeah. That's the way we feel....

HMJr: Well....

B: ....and we haven't been over this last part. We just got it. We haven't been over it very carefully, but....

HMJr: Well, look, can you - can you tell somebody to get busy typing that and let me talk to you a minute about it?

B: Yes. All right.

HMJr: I'll hold on.

B: They're - they're doing it. They're starting on it right now.

HMJr: They've got it going.

B: Yep.

HMJr: Well, here - here's the thing, Dan. They've been having me talk about the \$13 billion. I talked about getting 25% of the payroll....

B: Yeah.

HMJr: ....and it's gone out through the country and this is really explaining it.

B: Well, I think you can still talk about the twenty-five cents. That's a good paragraph in the speech. And that should be your goal for which you're aiming. And - you may be right, but we just (laughs)

(Cont'd.)

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B: kind of have a feeling here that you shouldn't  
(Cont'd.) get out on that limb at this stage of the game.

HMJr: Well - well, unfortunately, I am out on that limb  
since Newark.

B: Well, that's sort of past. And I think it isn't  
being printed very much more.

HMJr: Well, I mean....

B: And that was still a rather general statement, that  
you hoped to get \$18 billion, and we think if you  
keep....

HMJr: Yeah.

B: ....if you keep talking about it you're going to  
have to break it down sooner or later and let's  
do a little more figuring on it before you make  
your principal speech for opening the campaign.

HMJr: Does everybody agree with you there?

B: Yes. Everybody has that feeling at this stage of  
the game. We - as I say, we haven't been over the  
speech in detail and we just got the re-write, but  
we'd like to go over it a little more, but they  
have that feeling right now that it's - it's too  
early to say these....

HMJr: Well, let - let me do this. While you're waiting  
let Albee read into this machine from 1 to 4. Does  
he have the way it reads now?

B: All right.

HMJr: I mean I've approved it from one through to four.  
He can read this very....

B: All right. Fine.

HMJr: What?

B: Yes. That'll be fine.

HMJr: Let him do that.

B: All right. (Talks aside: Smith is going to read  
from one to four)

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Fred  
Smith:

This will cover from page 1 to 4 of the draft  
that's been approved.

B:

Speak a little louder, will you Smith, so  
everybody can hear you?

Smith dictating pages 1 to 4

Thank you Mr. Mayor: I am here as you know to award the Treasury T flag to your city of Kingston in token of the fact that every industrial and commercial firm in this city has a payroll savings plan. This achievement of Kingston is significant. As one city after another wins our T flag, it becomes apparent that the nation is unified and strong in its support of the war. When management and labor get together - when the employees of every firm in an entire city share their wages by lending part of them, week in and week out, to their government we have a demonstration of a real will to win.

So, Mr. Mayor, on behalf of the Treasury Department of the United States, I present to you and to the City of Kingston, this Treasury T flag.

(The Secretary then turns and speaks to the public).

Ladies and Gentlemen: I am very glad to have this chance to speak to you here in Kingston, not only because of your outstanding record in buying war bonds and because Kingston has a war history that goes back to George Washington and the days of the Revolution, but because my own home also is in the Hudson Valley and I can talk to you as one neighbor to another, and I am glad that what I say to you as a neighbor will go over the air to people in other cities like this across the country, because Kingston is a typical American town. It is both an industrial community and a farming community, and what I have to say touches both industrial workers and farmers.

Working men and women here in Kingston together with working people in other cities of the nation, are building war equipment in such vast quantities and in intricate perfection with the result that our enemies aren't the brave supermen they once were. They were brave enough when they thought they could beat us with our backs turned, but they aren't so boastful today. And on these fertile fields along our Hudson River, farmers are raising food for our soldiers and sailors and marines, our war workers, and our Allies.

You people of Kingston are discharging momentous tasks, workers and farmers alike - a task of equal importance. Let me speak to you now of this other momentous task that you are sharing so splendidly and that I share with you - the task of financing this first, truly colossal war - this war that we intend to make also the last.

I have some news for you as how we propose to pay the bill from now on. Your magnificent response to the War Loan Drive has shown that you are willing, even eager, to put up with real sacrifices. You are resolved that we must win. And you have a right to know. You must know, if we are all to keep our eyes and our heads clear for the hard job that still lies ahead of us, what such a determination calls for in dollars and cents and how the dollars and cents are to be raised.

Let's begin with our rate of spending in this war and how and why it has grown. At the time of Pearl Harbor, when we were shocked into a realization of what modern war really is by the treacherous murder of hundreds of Americans by the Japanese - even then we were pouring into war materials 64 million dollars a day. Recovering from the shock of Pearl Harbor, we threw ~~afire~~ the level of our vast American machinery production into high gear, and by July of last year our war expenditures climbed to 152 millions a day. By the end of 1942, we ~~are~~ were spending 198 million dollars a day, and today the figure is 240 million. Between sunrise this morning and sunrise tomorrow morning, this war will have cost another \$2.00 for every man, woman and child in the United States.

Why? Because we have set out to produce so much equipment that we will overpower the enemy wherever we meet him. So many bombing planes, for example, that there will be traffic jams in the sky over Berlin - which I understand there are already. One wave of planes sometimes has to wait for another to go in. General Arnold, commanding the Army Air Forces, says flatly that he means to bomb Germany out of the war, and Mr. Churchill says that ~~cost~~ even if we can't it won't do any harm to try. That will ~~cost~~ a great deal of money. A four-motored bombing plane - just one - costs nearly half a million dollars. You have read that we intend to drop a thousand, two thousand, three thousand, tons of block-buster ~~bombs~~ on the Axis bases in every raid, and a single two thousand block-buster costs \$400. Every time one of our battleships fires a broadside - a sixteen inch gun - at the Japanese, it costs \$13 thousand. In other words, we are really getting into the war. At last, the United Nations are on the offensive and that's where we want to be.

Well, to put us where we want to be, individual bond buyers during the first half of this year have invested 7 billion dollars in war bonds - a little over 10% of their income. That doesn't include money coming from corporations, banks or other institutions. That's the amount that the people themselves this year have already invested towards winning this war.

Splendid as such an achievement is, we can't stop now and pat ourselves on the back. Not at this moment certainly when we are on the very brink of invading Europe. With this in mind,

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let's take a look ahead.

During the second half of this year, from the 1st of July until the end of December, it is going to be necessary for you to invest not another 7 billions but far more." That is the end of the 4 pages which have been approved by the Secretary.

Daniel  
Bell:

Yeah. I see. Well, that - that sounds pretty good.

S: Now this page you're worried about is the guts of it, and he's terribly distressed. He's terribly disturbed. Everybody's been at him and everybody's been telling him different things and he's going around in circles.

B: (Laughs)

S: And we've only got about another hour.

B: Yeah. Well, that's what worries us.

S: Yes.

B: And what we were thinking of doing is going right on from there and saying, "We will get many billions more from corporations and other large buyers."

S: We said that in the first draft.

S: But we are calling you - well, that goes right on from where you stop.

S: Yeah.

B: But we are calling on you as individuals to buy more than twice as - the amounts of bonds that you bought during the first half of this year.

S: Well....

B: In other words, in addition to your taxes, you're going to be asked to lend your Government twenty-five as much as twenty-five cents out of every dollar.

S: Yes. Now....

B: Uh?

S: Well, we'll probably....

S: Now that sounds like a lot, but I'm sure we'll be able to do it, if we all work together, and you go right on.

S: Yeah.

B: Uh.

S: See, the - the original speech was quite simple and then people began saying, "Well, you've got to give them some figures." So he - he's quite right. He said, "Well, if we're going to give them figures, we might as well give them the whole thing."

B: Yeah.

S: To give them all the figures now would ----

B: Yeah.

S: He's got a plan. He says if he's going to present a plan and he might as well present it in detail, psychologically it's bad, because so far as radio listeners are concerned, they won't get the figures anyway, they just can't absorb them, but if we'll sacrifice the radio audience just to get the damn thing in print, it's all right. What I'd like to do personally is put the simple thing on the air, then at your leisure, in the next two or three days, give them the figures.

S: It's too late for that now.

B: Well, we feel here that it's - it would probably be a little early to go into the full plans for the next War Loan Drive, which is three months away....

S: Yeah.

B: ...and that we should make some attempt here to getting this organization to working and raising this billion dollars a month that we've been talking about to a billion-and-a-quarter or a billion-and-a-half and reducing the figure that looks so large for each of the drives. More so, I hope that from now on you fellows will let me do these drafts a week or two weeks in advance. I can always.....

S: (Laughs)

B: ....draw up the framework, then we can change it.

S: Well, that's right. That's what should be done. Well, here's the Secretary and I think that if you'll

(Cont'd.)

S: tell him what you just told me, he's open to  
(Cont'd.) suggestions.

HMJr: Hello.

B: Yes.

HMJr: What you want to say, Dan?

B: Well, the only thing I said is that I thought the first four pages you read - that he read sounded pretty good.

HMJr: Yeah.

B: Then we can go right on from there. "We will get many billions more from corporations and other large buyers, but we are calling upon you as individuals to invest more than twice the amount of funds in War Bonds than you did during the first half of the year. In other words, in addition to your taxes, you're going to be asked to lend your Government twenty-five cents out of every dollar, or as much as twenty-five cents out of every dollar." And then go right on with maybe a few changes.

HMJr: Cut out all those figures?

B: Cut out all those figures.

HMJr: Well, that's no blueprint.

B: Not as detailed as you've got it, that's right.

HMJr: Let me argue with you this way. Hello?

B: Yes.

HMJr: Met me take that down - that sentence, and ....

B: I can't hear you.

HMJr: I'm not ready now to take it down. Hello?

B: Yes.

HMJr: After all, what I'm trying to do is to say what this program is going to be ? this \$25 billion figure ? in the hands of every editor in America.

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B: Yes.

HMJr: He's got it, see? Hello?

B: Yes.

HMJr: Now I'd say this is what we're aiming for for the next six months, but don't say how much we're want to get for the third quarter and how much we want to get for the 4th quarter, see?

B: Yes.

HMJr: And....

B: But by process of deductions they can get a rather tremendous figure of \$7 billions in each of the War Loans....

HMJr: Well....

B: ....for individuals.

HMJr: Wait a minute. That is all right.

B: And if you don't get it in September, why, they announce it immediately as a failure.

HMJr: They don't know what the whole - in December - in September and maybe....

B: There's something wrong with our connection. I'm trying to hold....

HMJr: Hello?

B: Yes.

HMJr: We've got all these wires, you see, pulled down on the record and I can't shout because I've got to save my voice. Hello?

B: Yes. I can hear you better now.

HMJr: Do you hear me any better now?

B: Yes, sir, I do.

HMJr: What?

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B: Yes, I do.

HMJr: Better now?

B: Better. Yes, sir.

HMJr: All right. I'll talk this way, then I can't....

B: If - if you talk into the phone I think I can get it. It's....

HMJr: What?

B: ...if you talk right into the phone. I think it's when you turn your head that we don't get it.

HMJr: I'm not turning my head. I'm talking - can you hear now?

B: Yes, sir. I can hear.

HMJr: I've got my hand cupped over the phone.

B: Oh, I see.

HMJr: The reason I'm arguing is this: If I did this, then I'd give every state Chairman his quota. Now - Hello?....

B: I see.

HMJr: ...and after all, nobody can say whether I'm right or wrong, until December 31st.

B: Well, they might say it at the end of September.

HMJr: Well, how could they?

B: Well, by figuring up what you got and saying it's impossible to get the balance between then and the end of December.

HMJr: But Dan, I used the \$18 billion figure in Newark.

B: Yes, I appreciate that.

HMJr: And that was the time, with Gaston and Gamble there, they should have said something.

B: And I think....

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HMJr: Now....

B: ....you've had very little publicity on that \$18 billion. It's - you don't see it much anymore at all now.

HMJr: You'd play it down?

B: Play it down by saying very little about it from here on until you did give it a little more consideration, at least until August when - just before the campaign.

HMJr: Now just a minute. I'll let you dictate to Albee how you would suggest my doing it. Just a moment. Hello?

B: Yes.

HMJr: I - I'll let you speak to George Albee.

B: All right. (Talks aside) Have you got....

George Albee: All right, just give it to me slowly.

B: At the end of where you stop...

A: Yes.

B: ....during the second half of this year, from the first of July until the end of December, it is going to be - (what is it?) it - to do the maximum best....

A: What do you mean?

B: ....to do our maximum best ....

A: Now wait a minute. During the second half of this year from the first of July until the end of December....

B: To do - that's dash - to do our maximum best, we should invest more than twice that amount.

A: More than....

B: Strike out....

A: Yeah.

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- B: ....another \$7 billion.
- A: Yeah.
- B: ...."We will get many billions more from corporations and other large buyers...."
- A: (Repeats)
- B: "...but we are calling on you as individuals to buy more than twice...."
- A: You just said that.
- B: ....the amount of bonds....
- A: You just said it in the preceding figure.
- B: Yeah, I know, but you're talking now as individuals. It doesn't hurt to repeat it and maybe we can change it and not repeat it, but this is what we got hurriedly here - "To buy more than twice the amount of bonds you bought the first six months of this year."
- A: Uh huh.
- B: Then you go right on: "In other words, in addition to your taxes, you're going to be asked to lend your Government as much as twenty-five cents out of every dollar you earn."
- A: All that in detail. Save that page on just how he's going to get it and everything.
- B: Yeah. Herbert Gaston says - suggests that instead of "you" - say "The American people as individuals"....
- A: Uh huh.
- B: "...will be asked to lend their Government as much as twenty-five cents.
- A: Well, we've no need to worry about....
- B: Yeah.
- A: It's about that basic subject.
- B: That's right. They suggest.

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- A: Should it or should it not be complicated, you fellows may know, of course, you've got plenty of time to do it later.
- B: Yes. We feel that if you're going to do it, it ought to be done later after we think about it a little more and changed it.
- A: There's an awfully good - he gave his reasons for wanting to do this, which is that the American people have been saying, "Morgenthau doesn't know where he's going", it would be damn good at this time to lay out a blueprint which proves conclusively that he does know where he's going. Later he can be accused of failing, but so what.
- B: Well....
- A: He doesn't - the Secretary says that would be December and a hell of a lot of things could happen between now and December. That's his point on it, and he's very strong on this blueprint. In that final phrase that he's giving them a blueprint - I see the Secretary's point very clearly and I - well, okay - I mean - we have it now and I'll read it off to him.
- B: All right. And we'll work on it a little more and when we get the - the transcript....
- A: Yeah.
- B: ....of the figures you gave us.
- A: Okay.
- B: Now may I talk to the Secretary about one thing?
- A: Certainly.
- HMJr: Hello.
- B: Yes.
- HMJr: Go ahead.
- B: I wanted to tell you about your message last night sending out the President's press conference.
- HMJr: Yes.
- B: We went over and got it and Steve Early sent it over with a letter....

HMJr: Yeah.

B: ...and says, "Attached is a transcript of the President's press conference of today. I am giving you this for the information of the Secretary of the Treasury and with the definite understanding that it will be considered otherwise confidential. I ask this treatment to protect against the possibility of its publication now or later in its present form. Of course, the President's language is known to the press, but newspaper reporters are not permitted to use it, except in the third person, and no permission is given to quote the President direct in this instance." It isn't in shape to send out as such.

HMJr: Well, let's forget it then.

B: Either forget it, or send Chic's memorandum.

HMJr: Forget it then.

B: I'd inclined to not send it. We might get into difficulty.

HMJr: Or worse. More worry.

B: Yeah.

HMJr: Yeah.

B: Now Gamble thinks that Smith didn't get that last quite right. May I talk to him again.

HMJr: What last?

B: The last thing I read. Who was that, Smith or Albee?

HMJr: Albee. All right.

B: Well, let me talk to him again.

A:B: (Talking aside: Where is that)

A: I'll read it back to you.

B: Wait a minute until I find it. (Talks aside: Where is it?) Okay.

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- A: "To do our maximum best, we should invest more than twice the amount - (talks aside) more than twice that amount...."
- B: More than twice that amount. Yeah.
- A: "...we will get many billions more from corporations and other large buyers, but we are calling on you as individuals - calling on the American people as individuals to buy more than twice the amount of bonds they bought in the first six months of this year." Then continue. "In other words for more than - as much as twenty-five cents out of your every dollar."
- B: Wait a minute now. (Talks aside) They say that they think it would read better if you - if they left the \$7 billion in. "To do our maximum best we should invest not another \$7 billion, but more than twice that amount."
- A: All right.
- B: They think that that's a little better.
- A: Okay.
- B: Got it?
- A: Yeah.
- B: Thank you. Want me to call you back later - call you back later?
- A: Okay.
- B: Goodbye.

June 12, 1943  
11:10 a.m.

H.M. JR: Dan?

D.W. BELL: Yes, sir.

H.M. JR: Now, I've made those changes. I'm talking about twice as much. We've cut out all the rest. I think the time for the people who have gotten the cold feet was before I used the eighteen billion - I used it in Newark, I used twenty-five percent at New York, and the investment bankers - that release announcing Burgess, I've used it twice.

B: Uh-huh.

H.M. JR: And both Gaston and Gamble were there and I take it they saw what I was saying - before I said it - I don't know whether they did or not. But that was the time to have gotten the cold feet.

B: Yes.

H.M. JR: But I am not going to go out on the limb of my own organization that don't think that they can back me up.

B: Well, maybe we were being - ah - cautious.

H.M. JR: Well--

B: But--

H.M. JR: As I say, I've - I've used it in Newark, I used it at New York. Nobody cut anything there, but I've made all the changes, and I'm not going to - they're typing it and they're trying to get me a clean copy. And when they do, if there - if there is a carbon copy, I don't know - they'll try to read it in to Schwarz. I'm not going to worry about it. I've got enough worries now.

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B: Yeah. Well, that's - that's too bad it had to come at this time.

H.M.JR: Well, it's--

B: Let me read you a little - a couple paragraphs.

H.M.JR: No, Dan, I can't take anything more.

B: Can't you?

H.M.JR: The speech is written now.

B: It's - well, we got a couple of changes - just minor - that I could tell to Smith if you'd let me talk to him.

H.M.JR: What?

B: I could tell to Smith if you'd let me talk - a couple of changes.

H.M.JR: Oh, you are going to drive him nuts.

B: No, these are - these are changes that ought to be made.

H.M.JR: We have an amateur stenographer upstairs. I got to learn this speech some time.

B: Well, you're getting used to taking them on the stand.

H.M.JR: Well, it's not very funny.

B: I know it isn't.

H.M.JR: I mean I have to do the fighting with the press and everybody else, and then when I want to go make a speech and talk about this thing - I better come out for compulsory savings, if Gamble and that whole gang are so weak-kneed. If you can't make it, why not come out for compulsory savings. Look what I've been through the last - since the third of May.

B: Well, we hope we can make it, but we don't want you to get out on a limb at this time.

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H.M. JR: My God, I've - look, since the third of May, I've had the fight with the Federal Reserve, I've won that; I've had my fight with Byrnes and all the rest; and now when I want to go out and say we can do the thing, everybody steps out. I think it's terrible.

B: Well, (laughs) I think we all have the same objective, but we want to say it in a little different way and not be so positive in it.

H.M. JR: Well--

F: And--

H.M. JR: I'll see where they--

B: There are a couple of minor errors, we think, in the thing that I ought to tell Smith about.

H.M. JR: Now when - when is Gamble going out to the West Coast - that he's fussing about his organization?

B: (Talks aside to Gamble) Leaving Tuesday, aren't you, Ted? They're leaving tonight - Gamble is and Gaston is leaving tomorrow night.

H.M. JR: Well--

B: They're on their way.

H.M. JR: I can't handle anything more, tell them. Hello--

B: Yeah.

H.M. JR: When does he get to the West Coast?

B: (Talks aside to Gamble) Tuesday in Minneapolis--

H.M. JR: Well, he can call--

F: And Thursday in San Francisco.

H.M. JR: What?

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B: Tuesday in Minneapolis.

H.M.JR: When is he leaving Washington?

B: Tonight.

H.M.JR: What time?

B: (Talks aside to Gamble - what time?) Five twenty-five.

H.M.JR: Well, put Ted on.

B: All right.

Wk. GAMBLE: Hello.

H.M.JR: I can't handle anything more now, Ted.

G: Yes, sir.

H.M.JR: Who is going to be in charge while you are gone?

G: Well, Mr. Coyne and Mr. Graves will be here.

H.M.JR: All right. When you get - when will you be in Minneapolis?

G: We'll be in Minneapolis Tuesday morning.

H.M.JR: Well, call me up from there.

G: All right, sir.

H.M.JR: I just can't take anything more.

G: I understand.

H.M.JR: I mean, it's just - it's impossible.

G: Well, on this eighteen billion dollars, Mr. Secretary, we are all of the same mind on it, but we just don't think that we ought to break it down and make such a

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point of getting exactly seven billion dollars from people in September.

H.M.JR: Well, don't let's argue about anything.

G: I understand.

H.M.JR: I mean, after all, I did it in Newark - I did it in New York. You didn't raise any objection.

G: No, sir, and the way you did it there I think it was very well, but when you start telling the whole picture and emphasizing it, then I think we are inviting a possible trouble that you don't want to invite.

H.M.JR: Well, anyway, I'm - I'm disappointed, but I've made the change, and I'm - I mean I'm not going to go out all by myself.

G: Yes.

H.M.JR: Now, you want - Bell wants to speak to Smith?

G: Yes.

H.M.JR: All right, I'll get him.

G: All right, sir.

H.M.JR: I'm not going to talk again.

G: All right, sir, I--

H.M.JR: I haven't even got the speech. Just a moment.

MR. SMITH: Hello.

MR. GAMBLE: Hello.

S: Yeah.

G: Fred?

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S: Yeah.

G: Just a minute.

MR. BELL: Fred?

S: Yes.

B: I've got two minor changes.

S: Yes.

B: It's on page 3 of - oh, maybe it's - no, it's on page 7 of my draft.

S: Yeah.

B: But it begins the paragraph, "There are many women in war jobs with husbands also working."

S: Yes.

B: Have you got that?

S: Now, wait a minute I'll find it. We have so many changes here, I'm still here - I'm just looking.

B: Page 7 on the draft we got, but--

S: We've switched it all around.

B: Yes. It's "Many people are already putting larger percentages of their income into bonds. In some cases--"

S: I haven't got it here, Bell, but tell me what it is.

B: Well, you've got the words, "There are many women in war jobs with husbands also working..."

S: Yes.

B: ... or in the armed forces...

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- S: Yes.
- B: ... who are investing a hundred percent of their pay in war bonds."
- S: Yes.
- B: "Or in the armed forces" seemed to us ought to come out.
- S: Well, it's a fact.
- B: Well, I - is it a fact? I mean, you can't - about the only person it could be would be an officer. If they were sending a big allotment home it certainly couldn't be an enlisted man.
- S: We ran into a couple of them down here from Oregon that were just enlisted men, but I--
- B: Well, then they're just capitalists in the Army.
- S: Huh?
- B: They're just capitalists in the Army. (Laughter) They're not doing it out of their pay. All right.
- S: Well, we'll drop it out.
- B: All right. I mean it's a point which you might be picked up on.
- S: Yeah, it's open.
- B: These are suggestions.
- S: It's open to question.
- B: "We know" - over on page ten--
- S: Yes.
- B: "We know now what this war is going to cost."

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S: Yes.

B: We don't think we do.

S: Well, I don't, either.

B: Huh?

S: I think that's right.

B: Well, I don't - we think that ought to come out.

S: Well--

B: "Or, we know what it's going to cost this year."

S: Well, that's - that's better.

B: Yeah.

S: It's going to cost--

B: Yeah, we know - I'd say, "We know about what this war is going to cost this year."

S: All right, that's fine.

B: All right.

S: How about this - I'm a little afraid of what follows here, too - do we know how many planes, tanks, and ships we'll need?

B: Well, you know how many men we'll have to have in our Armies, and how much equipment we'll have to provide for them. We know those things, because they're daily goods. Well, I should think that they know that more than they do the money cost, because you don't know how many - how long the war is going to last, as to cost.

S: All right, let's put in an "about" in there that'll take--

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B: Yes.

S: Uh-huh.

B: You know approximately how many men or something like that. Leave it - qualified a little.

S: Yes.

B: Okay.

S: All right.

B: We had a couple of good paragraphs we thought might go in place of that other, but I guess you're not interested, huh?

S: Well, we've - we've said essentially - picked up essentially the paragraphs--

B: Huh?

S: ... haven't picked them up as such, is because the surrounding paragraphs have been changed.

B: Uh-huh.

S: Ah--

B: I might read you these and see what you think of them.

S: Huh?

B: I might read you these if you've got a second.

S: Just fine. Now, we will have this thing ready very shortly, and I would suggest that you wait, and I will read it back to you and put it on a record. See?

B: All right.

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S: That's good. And it - it's - it's not bad at all.

B: All right.

S: It's got all the eighteen billions and all the twenty-five cents - just used twice as much all the way through.

B: I see.

S: And it cleans it up good.

B: Yes.

S: I think it's a better speech than it was before, but - except for one slight addition which isn't quite as - doesn't look as honest. You know - it doesn't look as frank.

B: Yes.

S: But if you will shoot crap for about ten minutes, why I can read it all to you.

B: All right.

S: Okay?

B: Fine.

S: Thank you, Danny.

B: Bye.

June 12, 1943.  
11:46 a. m.

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HMJr: When Gamble comes in, let me know.  
DWB: All right.  
HMJr: I want him to hear particularly.  
DWB: All right.  
HMJr: And when I'm through talking, Fred Smith will read into the machine,  
DWB: All right.  
HMJr: the final draft of the speech  
DWB: The emphasis on the final, huh?  
HMJr: Well I've only got to get my lunch, and drive 35 miles and be there at two o'clock.  
DWB: Well, you'd better go.  
HMJr: Well, I want to wait; I want to make a little speech.  
DWB: Now, uh...  
HMJr: When Gamble gets there let me know.  
DWB: All right. He's coming in the room now.  
" : Could I say one thing about the date of the Drive?  
HMJr: Yeah.  
DWB: After I told you yesterday about clearance with the OWI, Jim Rogers called back late in the evening and said that he just wanted to tell us about one thing in the picture, he didn't think it would hurt us any, but he said there is a Man-Power Commission program on for that month dealing with the women, and they were going to use the first week and possibly Labor Day, speeches to stress that Program, and we start the next day. He thought we might be interfered with a little on Labor Day, and there was some thought here that you might want to change that to the 9th to get over that -- any enthusiam built up that day.  
HMJr: When is Labor Day?

DWB: Labor Day is the 6th. We start the 7th. If you'd start, say Wednesday, the 9th, you'd have some two or three days for that to settle. Talks aside (That 9th would be Wednesday, wouldn't it?) The 9th would be Thursday. Wait a minute. That's right. 8th would be all right.

HMJr: Hello.

DWB: Yes.

HMJr: I don't care.

DWB: Well, Ted thinks with his experience in the Movie business, it's pretty dead following a holiday -- the next day, and that the 9th would be better.

HMJr: All right. Ted wants the 9th?

DWB: Yep.

HMJr: It's the 9th.

DWB: O. K. Now Ted's here, do you want to talk to him?

HMJr: Yeah. I'll talk to Ted, yeah.

DWB: All right. Just a moment.

Gamble: Hello.

HMJr: This is for the benefit of all of you.

Gamble: Yes.

HMJr: I just want to say, I appreciate what you've done...

G: Yes.

HMJr: It's a good speech. I'm a little disappointed, but we'll all carry on -- the thing is settled --we're one big family, we'll all pull together.

G: That's right.

HMJr: And, uh it makes it tough on me, but I can take it, and let's all go on and we've got to work like Hell now to even make twice as much.

G: \$18 billion is still our goal, Mr. Secretary.

HMJr: Okey doke.

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G: How's that?

HMJr: And Fred Smith thinks it's even a better speech than it was.

G: Well, I think it is. I don't think you need to emphasize, or go into to details about the \$18 billion. I think what you've said about it, has been fine.

HMJr: That's "water over the dam". The Mayor's waiting here for me, and so forth and so on, and Smith's going to read it into the speech, we'll make it the 9th. You'd rather have the 9th?

G: Yes sir!

HMJr: We'll make it the 9th.

G: That's fine, and Smith should correct his speech to say the 9th.

HMJr: Oh Smith, he did that thirty seconds ago.

G: (Laughs.) He did it thirty seconds ago. All right. All right, sir. I'll give you a little good news, we had what we thought was a very good meeting in Philadelphia yesterday, with both Pennsylvania and Delaware. We settled Delaware.

HMJr: Yeah.

G: And it looks like we have Pennsylvania on the way to a good solution.

HMJr: All right.

G: We won't know 'til Tuesday.

HMJr: Well, I'll talk to you about your own little, uh not little, but your organization problems in Washington on Tuesday.

G: I'll call you on Tuesday morning.

HMJr: Yeah, and I'm satisfied. We'll go on.

G: Fine.

HMJr: I haven't even read today's papers, but they tell me it's all right.

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G: It was very good.

HMJR: What?

G: It was very good.

HMJR: Good.

G: The President's statement in yesterday evening's Star was very good, that is the report of his conference.

HMJR: Fine.

G: It was very good.

HMJR: Well, now just a minute, and this is going to be the final version.

G: All right, Sir.

HMJR: Just a minute.

Fred Smith: Hello. Hello.

G: Just a minute.

S: All right. The Secretary wants me to relay to you that he has just told us that we have broken all speed records. He has a whole hour with nothing to do. 2

DWB: Goodnight!

M Except, well he ought to take nap.

DWB: (Laughs.)

DWB: Well, he'll have a nice long hour to drive thirty-five miles.

Smith That's right.

B: All right.

S: I understand that Albee read you down to the bottom of page 4.

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DWB: Well, now, I'll see if we've got that.

S: I can very easily read it all, if you'd rather hear it all.

DWB: Well now, Fred, are you sending this over the wire, for a check?

S: No. What do you mean? Oh, well I can.

DWB: As a check against what we released.

S: I'm going to give it to you here.

DWB: On the record?

S: Send it to, by a cop that's waiting out here, to Callahan. Callahan can put in on the wire.

DWB: All right, because I think we ought to have a check, don't you?

S: Hmm?

DWB: I think we ought to have a check.

S: That's right. In the meantime, though, I think Chic should go ahead ...

DWB: We will.

S: ...with this mechanic stuff, and then you can just use it for a check.

DWB: All right.

S: O. K. Now, I'm beginning now.

DWB: All right. You begin at the beginning.

S: All right.

"Thank you, Mr. Mayor: I am here as you know to award the Treasury T. flag to your city of Kingston in token of the fact that every industrial and commercial firm in this city has a payroll savings plan. This achievement of Kingston is significant. As one city after another wins our T flag, it becomes apparent that the nation is unified and strong in its support of the war.

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When management and labor get together - when the employees of every firm in an entire city share their wages by lending part of them, week in and week out, to their government we have a demonstration of a real will to win.

So, Mr. Mayor, on behalf of the Treasury Department of the United States, I present to you and to the City of Kingston, this Treasury T flag.

(The Secretary then turns and speaks to the public).

Ladies and Gentlemen: I am very glad to have this change to speak to you here in Kingston, not only because of your outstanding record in buying war bonds and because Kingston has a war history that goes back to George Washington and the days of the Revolution, but because my own home also is in the Hudson Valley and I can talk to you as one neighbor to another, and I am glad that what I say to you as a neighbor will go over the air to people in other cities like this across the country, because Kingston is a typical American town. It is both an industrial community and a farming community, and what I have to say touches both industrial workers and farmers.

Working men and women here in Kingston together with working people in other cities of the nation, are building war equipment in such vast quantities and in intricate perfection with the result that our enemies aren't the brave supermen they once were. They were brave enough when they thought they could beat us with our backs turned, but they aren't so boastful today. And on these fertile fields along our Hudson River, farmers are raising food for our soldiers and sailors and marines, our war workers, and our Allies.

You people of Kingston are discharging momentous tasks, workers and farmers alike - a task of equal importance. Let me speak to you now of this other momentous task that you are sharing so splendidly and that I share with you - the task of financing this first, truly colossal war - this war that we intend to make also the last.

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I have some news for you of how we propose to pay the bill from now on. Your magnificent response to the War Loan Drive has shown that you are willing, even eager, to put up with real sacrifices. You are resolved that we must win. And you have a right to know. You must know, if we are all to keep our eyes and our heads clear for the hard job that still lies ahead of us, what such a determination calls for in dollars and cents and how the dollars and cents are to be raised.

Let's begin with our rate of spending in this war and how and why it has grown. At the time of Pearl Harbor, when we were shocked into a realization of what modern war really is by the treacherous murder of hundreds of Americans by the Japanese - even then we were pouring into war materials 64 million dollars a day. Recovering from the shock of Pearl Harbor, we threw the lever of our vast American machinery production into high gear, and by July of last year our war expenditures climbed to 152 millions a day. By the end of 1942, we were spending 198 million dollars a day, and today the figure is 240 million. Between sunrise this morning and sunrise tomorrow morning, this war will have cost another \$2.00 for every man, woman and child in the United States.

why? Because we have set out to produce so much equipment that we will overpower the enemy wherever we meet him. So many bombing planes, for example, that there will be traffic jams in the sky over Berlin - which I understand there are already. One wave of planes sometimes has to wait for another to go in. General Arnold, commanding the Army Air Forces, says flatly that he means to bomb Germany out of the war, and Mr. Churchill says that even if we can't it won't do any harm to try. That will cost a great deal of money. A four-motored bombing plane - just one - costs nearly half a million dollars. You have read that we intend to drop a thousand, two thousand, three thousand, tons of block-buster bombs on the Axis bases in every raid, and a single two thousand pound block-buster costs \$400. Every time one of our battleships fires a broadside of sixteen-inch shells at the Japanese, it costs \$13. thousand. In other words, we are really getting into the war. At last, the United Nations are on the offensive and that's where we want to be.

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Well, to put us where we want to be, individual bond buyers during the first half of this year have invested 7 billion dollars in war bonds—a little over 10% of their income. That doesn't include money coming from corporations, banks or other institutions. That's the amount that the people themselves this year have already invested towards winning this war.

Splendid as such an achievement is, we can't stop now and pat ourselves on the back. Not at this moment certainly, when we are on the very brink of invading Europe. With this in mind, let us look ahead.

During the second half of this year, from the first of July until the end of December, it is going to be necessary for you to invest not another 7 billions but far more. To be exact, unless we are able to raise the tax rates before the end of the year, and before the end of the year get more taxes than will result from the present tax schedules, we expect that we may have to ask you to lend your government during the next six months about twice as much as in the first half of the year.

According to the best available figures, the money will be there in savings out of our 72 billions in national income during the remainder of the year. According to our present plans, we are asking you to invest the greatest portion of your savings in war bonds in the next six months.

It is important that we get this money either in taxes or bonds, not only to finance the war but to protect ourselves against inflation.

Now that sounds like a lot and it is a lot. However, we know the money will be there, but in order to get it we will have to have a more efficient sales organization than ever before. It means we will have to have more volunteer workers because we will have to sell bonds to nearly every man, woman and child in America. It means solicitation from house to house, from bench to bench in factories, and from desk to desk in offices.

I am sure we will be able to swing this tremendous job if we all work together, and I have good reason for my confidence. First, we have proof that we have the will to do it. During the second War Loan Drive

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in April, we asked the people, the individual investors, to buy 2½ billion dollars worth of bonds, and they bought 3½ billions. We asked insurance companies and corporations for 5½ billions, and they invested nearly 10. We asked for volunteers to take over the job of selling bonds to their friends and neighbors, and more than a million men and women in the United States became voluntary bond salesmen.

When the final score was in, we found that in the Second War Loan Drive we had raised almost as much as the total amount raised during all of the five bond drives in World War I.

Another reason I am confident we will be able to raise the money is that these figures, enormous as they are, aren't really quite as bad as they sound. For instance, when I say that our bond goal is twice as much as in the first six months, that doesn't mean that every family is going to have to set aside arbitrarily twice as much. Under the voluntary plan, we leave it to you yourself to decide how many bonds you can afford to buy. Families with heavy pre-war commitments, mortgages and insurance, and so on, may not always be able to afford twice as much. But folks who are earning more than their usual amount of money, will be able to invest even more.

Many people with larger than usual wages are already putting high percentages of their pay into bonds. In some cases, where more than one member of the family is working or where the head of the family has a war job at good pay, the percentage of war bond buying is running to half, even more, of the family income. There are many women in war jobs with husbands also working, who are investing 100% of their pay in war bonds, every cent they make. Those aren't isolated cases by any means. In April I visited one war plant where they were putting 23% of the total payroll into bonds.

Now I should like to stop here and discuss with you, for a moment, some facts about war finance as I see them. I know that nobody likes high taxes, but this is war, and I sincerely believe that taxes

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ought to be used to pay for as large a share of the war cost as possible. I think taxes ought to cover something like half of our expenses. They're not covering nearly that much now. On the other hand, we can't raise much more than half the money through taxes because on such a huge scale, we can't levy taxes with fairness. And that's why we rely upon upon bond sales for the remaining amount. Bonds are flexible. They allow for the personal obligations which you may have, which may be entirely different from the obligations of your neighbor.

Now, let's talk for a moment about the concrete job of raising twice as much money from individual investors in the next six months. First, of all, we're starting right now to expand the payroll savings plan. We hope to make it produce month-in and month-out 50% more than at present. Every worker is being asked to figure out for himself how much more than the 10% we have previously used as a goal, he can lay aside out of his current earnings for war bonds. Whether we will succeed in this depends squarely upon Labor and Management working together to make the payroll plan work at top efficiency in every plant in the Nation. We are also planning on new war loan drives, especially to raise money from individuals.

The next drive will start September 9. I am announcing this for the first time today because it is a part of the blueprint of the future. On September 9th, we will launch the Third War Loan Drive, and it will aim at raising the largest amount of money from individuals that any drive has raised in the history of the world. Our goal for individuals in this September drive will be to get a substantial part of the necessary money. In a subsequent drive, and during the four months in which there are no war loan drives, through payroll savings and other continuing sales, we will aim to get the rest. I don't believe this is an impossible job for the American people. The incomes received by all of us will be so much greater than the sum total of all the things that we can buy that money will be at hand to purchase the necessary bonds and still pay taxes, life insurance, mortgage obligations, doctors bills, and to make all the rest of the necessary expenditures.

As Secretary of your Treasury, I can only tell you how much money is needed; I can only lay the figures before you frankly and honestly. The rest is up to you.

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I must depend upon your own recognition of your responsibilities. The very fact that you are free to lend according to the dictates of your conscience, that no stormtrooper comes swaggering into your kitchen to demand your money - the very fact that you are free adds the more weight to your responsibility. We know now what this war is going to cost this year. We know about how many planes and tanks and ships we'll need. We know approximately how many men we will have in our armies and how much equipment we'll have to provide for them. We know those things because our days of guesswork are over. We know exactly what we are going to do and how we're going to do it. From now on, we are going to do the planning -- and the attacking. And I fervently hope that we can continue to work out our financing plans together and keep them on a voluntary basis. But, in the final analysis, that is up to you - the American people." The end.

DWB: Is that the end?  
S: That's the end.  
DWB: I see.  
S: What do you think?  
DWB: I think it's good.  
S: Huh?  
DWB: Yeah.  
S: Don't you think it is?  
DWB: I think it's good.  
S: I think it's good, and I think it's safe.  
DWB: Huh?  
S: I think it's good, and I think it's safe.  
DWB: So do I.  
S: All right?

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DWB: Yeah. I'm very much better pleased than with the other.

S: Much better pleased?

DWB: Yeah, and I'm, I'm - about going it over in detail - I think it sounds fine. Wait until I get Herbert's reaction.

S: All right.

DWB: Herbert thinks it's fine. He would like to have seen you kept the 25% in - of the national income.

S: Yeah.

DWB: And woven that in as a goal.

S: Yeah.

DWB: But he thinks, possibly, it's a little too late to make changes, but he thinks you kept the 25% in as a goal, that it might have been more consistent.

S: Well, he ...

DWB: But he thinks it's fine.

S: Well, I think that's right, but we discussed it here, and the Secretary thought that if he left the \$18 billion out, he ought to leave the 25% out.

DWB: Yeah. I see. Well, I think it's a good speech.

S: So do I.

DWB: All right. We'll get it right on the mimeograph.

S: All right. That's all fixed now, huh?

DWB: O. K.

S: All right. Goodbye.

DWB: Goodbye.

~~Smith dictating pages 1 to 4~~

Thank you Mr. Mayor: I am here as you know to award the Treasury T flag to your city of Kingston in token of the fact that every industrial and commercial firm in this city has a payroll savings plan. This achievement of Kingston is significant. As one city after another wins our T flag, it becomes apparent that the nation is unified and strong in its support of the war. When management and labor get together - when the employees of every firm in an entire city share their wages by lending part of them, week in and week out, to their government we have a demonstration of a real will to win.

So, Mr. Mayor, on behalf of the Treasury Department of the United States, I present to you and to the City of Kingston, this Treasury T flag.

(The Secretary then turns and speaks to the public).

Ladies and Gentlemen: I am very glad to have this chance to speak to you here in Kingston, not only because of your outstanding record in buying war bonds and because Kingston has a war history that goes back to George Washington and the days of the Revolution, but because my own home also is in the Hudson Valley and I can talk to you as one neighbor to another, and I am glad that what I say to you as a neighbor will go over the air to people in other cities like this across the country, because Kingston is a typical American town. It is both an industrial community and a farming community, and what I have to say touches both industrial workers and farmers.

Working men and women here in Kingston together with working people in other cities of the nation, are building war equipment in such vast quantities and in intricate perfection with the result that our enemies aren't the brave supermen they once were. They were brave enough when they thought they could beat us with our backs turned, but they aren't so boastful today. And on these fertile fields along our Hudson River, farmers are raising food for our soldiers and sailors and marines, our war workers, and our Allies.

You people of Kingston are discharging momentous tasks, workers and farmers alike - a task of equal importance. Let me speak to you now of this other momentous task that you are sharing so splendidly and that I share with you - the task of financing this first, truly colossal war - this war that we intend to make also the last.

I have some news for you ~~and~~ how we propose to pay the bill from now on. Your magnificent response to the War Loan Drive has shown that you are willing, even eager, to put up with real sacrifices. You are resolved that we must win. And you have a right to know. You must know, if we are all to keep our eyes and our heads clear for the hard job that still lies ahead of us, what such a determination calls for in dollars and cents and how the dollars and cents are to be raised.

Let's begin with our rate of spending in this war and how and why it has grown. At the time of Pearl Harbor, when we were shocked into a realization of what modern war really is by the treacherous murder of hundreds of Americans by the Japanese - even then we were pouring into war materials 64 million dollars a day. Recovering from the shock of Pearl Harbor, we threw ~~sixxxx~~ the lever of our vast American machinery production into high gear, and by July of last year our war expenditures climbed to 152 millions a day. By the end of 1942, we ~~xx~~ were spending 198 million dollars a day, and today the figure is 240 million. Between sunrise this morning and sunrise tomorrow morning, this war will have cost another \$2.00 for every man, woman and child in the United States.

Why? Because we have set out to produce so much equipment that we will overpower the enemy wherever we meet him. So many bombing planes, for example, that there will be traffic jams in the sky over Berlin - which I understand there are ~~are~~ already. One wave of planes sometimes has to wait for another to go in. General Arnold, commanding the Army Air Forces, says flatly that he means to bomb Germany out of the war, and Mr. Churchill says that ~~ost~~ even if we can't it won't do any harm to try. That will ~~xxxxx~~ a great deal of money. A four-motored bombing plane - just one - costs nearly half a million dollars. You have read that we intend to drop a thousand, two thousand, three thousand, tons of block-buster ~~bombs~~ on the Axis bases in every raid, and a single two thousand block-buster costs \$400. Every time one of our battleships fires a broadside ~~of~~ sixteen inch ~~guns~~ at the Japanese, it costs \$13 thousand. In other words, we are really getting into the war. At last, the United Nations are on the offensive and that's where we want to be.

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During the second half of this year, from the first of July until the end of December, it is going to be necessary for you to invest not another 7 billions but far more. To be exact, unless we are able to raise the tax rates before the end of this year, and before the end of the year get more taxes than will result from the present tax schedules, we expect that we may have to ask you to lend your government during the next six months about twice as much as in the ~~first~~ <sup>first</sup> half of the year.

According to the best available figures, the money will be there in savings out of our a 72 billions in national income during the remainder of the year. According to our present plans, we are asking you to invest the greatest portion of your savings in war bonds in the next six months.

It is important that we get this money either in taxes or bonds, not only to ~~ix~~ finance the war but to protect ourselves against inflation.

Now that sounds like a lot and it is a lot. However, we know the money will be there, but in order to get it we will have to have a more efficient sales organization than ever before. It means we will have to have more volunteer workers because we will have to sell bonds to nearly every man, woman and child in America. It means solicitation from house to house, ~~and~~ from bench to bench in factories, and from desk to desk in offices.

I am sure we will be able to swing this tremendous job if we all work together, and I have good reason for my confidence. First, we have proof that we have the will to do it. During the second War Loan drive in April, we asked the people, ~~the individual~~ investors, to buy 2-1/2 billion dollars worth of bonds, and they bought 3-1/4 billions. We asked insurance companies, corporations for 5-1/2 billions, and they invested nearly 10. We asked for volunteers to take over the job of selling bonds to their friends and neighbors, and more than a million men and women in the United States became voluntary bond salesmen.

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earning more than their usual amount of money, will be able to invest even more.

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Now I should like to stop here and discuss with you some facts about war finance as I see them. I know that nobody likes high taxes, but this is war, and I sincerely believe that taxes ought to be used to pay tax as large a share of the war cost as possible. I think taxes ought to cover something like half our expenses. They're not covering nearly that much now. On the other hand, we can't raise much more than half the money through taxes because on such a huge scale, we can't levy taxes with fairness. And that's why we rely upon bonds sales for the remaining amount. Bonds are flexible. They allow for the personal obligations which you may have, which may be entirely different from the obligations of your neighbor. Now, let's talk for a moment about the concrete job of raising twice as much money from individual investors in the next six months. First of all, we're starting right now to expand the payroll savings plan. We hope to make it produce month-in and month-out 50% more than at present. Every worker is being asked to figure out for himself how much more than the 10% we have previously used as a goal, he can lay aside out of his current earnings for war bonds. Whether we will succeed in this depends squarely upon Labor and Management working together to make the payroll plan work at top efficiency in every plant in the Nation. We are also planning on new war loan drives, especially to raise money from individuals. The next drive will start September 9. I am announcing this for the first time today because it is a part of the blueprint of the future. On September 9th we will launch the Third War Loan Drive, and it will aim at raising the largest

amount of money from individuals that any drive has raised in the history of the world. Our goal for individuals in this September drive will be to get a substantial part of the necessary money. In a subsequent drive, and during the four months in which there are no war loan drives, <sup>through</sup> payroll savings and other continuing sales, we will aim to get the rest. I don't believe this is an impossible job for the American people. The incomes received by all of us will be so much greater than the sum total of all the things that we can buy that money will be at hand to purchase the necessary bonds and still pay taxes, life insurance, mortgage obligations, doctors bills, and to make all the rest of the necessary expenditures.

As Secretary of your Treasury, I can only tell you how much money ~~is~~ is needed; I can only lay the figures before you frankly and honestly. The rest is up to you. I must depend upon your own recognition of your responsibilities. The very fact that you are free to lend according to the dictates of your conscience, that no stormtrooper comes swaggering into your kitchen to demand your money - the very fact that you are free adds the more weight to your responsibility. We know now what this war is going to cost this year. We know about how many planes and tanks and ships we'll need. We know approximately how many men we will have in our armies and how much equipment we'll have to provide for them. We know those things because our days of guess-work are over. We know exactly what we are going to do and how we're going to do it. From now on, we are going to do the planning -- and the attacking. And I fervently hope that we can continue to work out our financing plans together and keep them on a voluntary basis. But, in the final analysis, that is up to you - the American people.

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6/12/43

Reading copy of Secretary's speech,  
on occasion of presenting Treasury "T"  
award to the city of Kingston, N. Y.

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Thank you, Mr. Mayor. I'm here, as you know, to award the Treasury T Flag to your City of Kingston, in token of the fact that every industrial and commercial firm in this city has a Payroll Savings Plan. This achievement of Kingston is significant. As one city after another wins our 'T' flag it becomes apparent that the nation is unified and strong in its support of the war. When management and labor get together, when the employes of every firm in an entire city share their wages by lending part of them, week in and week out, to their Government, we have a demonstration of a real will to win.

So, Mr. Mayor, on behalf of the Treasury Department of the United States, I present to you and to the City of Kingston this Treasury 'T' Flag.

(PAUSE)

Ladies and Gentlemen:

I'm very glad to have this chance to speak to you here in Kingston, not only because of your outstanding record in buying War Bonds, and because Kingston has a war history that goes back to George Washington and the days of the Revolution, but because my own home also is in the Hudson Valley and I can talk to you as one neighbor to another.

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And I'm glad that what I say to you as a neighbor will go over the air to people in other cities like this across the country -- because Kingston is a typical American town. It is both an industrial community and a farming community, and what I have to say touches both industrial workers and farmers -- ~~concerns all of us, in fact, wherever we live.~~

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-3-

Your magnificent response to the War Loan Drives has shown that you are willing, even eager, to put up with real sacrifice. You are resolved that we must win. And you have a right to know -- you must know, if we are all to keep our eyes and our heads clear for the hard job that still lies ahead of us -- what such a determination calls for, in dollars and cents, and how the dollars and cents are to be raised.

Let's begin with our rate of spending in this war, and how and why it has grown.

At the time of Pearl Harbor, when we were shocked into a realization of what modern war really is by the treacherous murder of hundreds of Americans by the Japanese -- even then, we were pouring into war materials 64 million dollars a day. Recovering from the shock of Pearl Harbor, we threw the lever of our vast American machine of production into high gear. And, by July of last year, our war expenditure climbed to 152 millions a day. By the end of 1942 we were spending 198 million a day. And today the figure is 240 million.

Between sunrise this morning, and sunrise tomorrow morning, this war will have cost another two dollars for every man, woman and child in the United States.

Why?

-4-

Because we have set out to produce so much equipment that we will overpower the enemy wherever we meet him. So many bombing planes, for example, that there will be traffic jams in the sky over Berlin -- which I understand there are, already. One wave of planes sometimes has to wait for another to go in. General Arnold, commanding the Army Air Forces, says flatly that he means to bomb Germany out of the war, and Mr. Churchill says that, even if we can't, it won't do any harm to try. That will cost a great deal of money. A four-motor bombing plane -- just one -- costs nearly half a million dollars. You have read that we intend to drop a thousand, two thousand, three thousand tons of 'block buster' bombs on the Axis nations in every raid -- and a single two-thousand-pound block buster costs four hundred dollars. Every time one of our battleships fires a broadside of 16-inch guns at the Japanese, it costs thirteen thousand dollars.

In other words, we're <sup>really</sup> ~~ready~~ getting into the war. At last the United Nations are on the offensive. And that's where we want to be!

Well -- to put us where we want to be, individual bond buyers in the first half of this year have invested ~~and are investing~~ 7 billion dollars in war Bonds; a little over 10% of their income. That doesn't include money coming from corporations, banks or other institutions. That's the amount that

the people themselves will already have invested this year towards winning this war.

Splendid as such an achievement is, we can't stop now to pat ourselves on the back. Not at this moment, certainly, when we are on the very brink of invading Europe!

With this in mind, let's take a look ahead.

During the second half of this year -- from the first of July until the end of December -- it is going to be necessary for you to invest, not another 7 billions, but far more.

To be exact, unless we are able to raise the tax rate before the end of the year, and before the end of the year get more from taxes than will result from the present tax schedules, we expect that we may have to ask you to lend your Government, during the next six months, about twice as much as in the first half of the year.

According to the best available figures, the money will be there, as savings out of our 72 billions of national income during the remainder of the year. According to our present plans, we are asking you to invest the greatest portion of your savings in War Bonds for the next six months. It is important that we get this money, either in taxes or bonds, not only to finance the war, but to protect ourselves against inflation.

Now that sounds like a lot, and it is a lot. However, we know the money will be there. But in order to get it we

will have to have a more efficient sales organization than ever before. It means we will have to have more volunteer workers, because we will have to sell bonds to nearly every man, woman and child in America. It means solicitation from house to house, from bench to bench in factories, from desk to desk in offices.

I am sure we will be able to swing this tremendous job if we all work together, and I have good reasons for my confidence.

First, we have proved that we have the will to do it. During the Second War Loan Drive in April, we asked the people -- the individual investors -- to buy  $2\frac{1}{2}$  billion dollars' worth of bonds, and they bought  $3\frac{1}{4}$  billions. We asked insurance companies and corporations for  $5\frac{1}{2}$  billions, and they invested nearly 10. We asked for volunteers to take over the job of selling bonds to their friends and neighbors, and more than a million men and women in the United States became voluntary bond salesmen.

When the final score was in, we found that in the Second War Loan Drive we had raised almost as much as the total amount raised during all of the five bond drives of World War I.

Another reason I'm confident we will be able to raise the money is that these figures, enormous as they are, aren't really quite as bad as they sound.

For instance, when I say that our bond goal is twice as

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much as in the first six months, that doesn't mean that every family is going to have to set aside, arbitrarily, twice as much. Under the Voluntary Plan we leave it to you, yourself, to decide how many bonds you can afford to buy. Families with heavy pre-war commitments in mortgages and insurance, and so on, may not be able to afford twice as much, ~~always~~. But folks who are earning more than their usual amount of money will be able to invest even more.

Many people with larger-than-usual wages are already putting high percentages of their pay into bonds. In some cases where more than one member of the family is working, or where the head of the family has a war job at good pay, the percentage of War Bond buying is running to half -- even more -- of the family income. There are many women in war jobs, with husbands also working, who are investing 100% of their pay in War Bonds: every cent they make! Those aren't isolated cases, by any means. In April, I visited one war plant where they were putting 23% of the total payroll into bonds.

Now I should like to stop here and discuss with you, for a moment, some facts about war finance as I see them.

I know that nobody likes high taxes. But this is war, and I sincerely believe that taxes ought to be used to pay for as large a share of the war costs as possible. I think taxes ought to cover something like half of our expenses. They're

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not covering nearly that much now. On the other hand, we can't raise much more than half of the money through taxes because, on such a huge scale, we can't levy taxes with fairness. And that's why we rely on bond sales for the remaining amount. Bonds are flexible. They allow for the personal obligations which you may have, which may be entirely different from the obligations of your neighbor.

Now, let's talk for a moment about the concrete job of raising twice as much money from individual investors in the next six months.

First of all, we're starting right now to expand the Payroll Savings Plan. We hope to make it produce, month in and month out, 50% more than at present. Every worker is being asked to figure out for himself how much more than the 10% we have previously used as a goal he can lay aside, out of his current earnings, for War Bonds. Whether we will succeed in this depends squarely upon labor and management working together to make the payroll plan work at top efficiency in every plant in the nation.

We are also planning on new War Loan Drives, especially to raise money from individuals. The next drive will start September 9th. I am announcing this for the first time today, because it is a part of the blue print of the future. On September 9th we will launch the Third War Loan Drive -- and

it will aim at raising the largest amount of money from individuals that any drive has raised in the history of the world.

Our goal for individuals in this September Drive will be to get a substantial part of the necessary money. In a subsequent drive, and during the four months in which there are no War Loan Drives -- through payroll savings and other continuing sales -- we will aim to get the rest.

I don't believe this is an impossible job for the American people. The incomes received by ~~all~~<sup>most</sup> of us will be so much greater, than the sum total of all the things we can buy, that money will be at hand to purchase the necessary bonds and still pay taxes, life insurance, mortgage obligations, doctors' bills, and to make all the rest of the necessary expenditures.

As the Secretary of your Treasury, I can only tell you how much money is needed; I can only lay the figures before you frankly and honestly. The rest is up to you. I must depend upon your own recognition of your responsibility.

The very fact that you are free to lend according to the dictates of your conscience; that no storm-trooper comes swaggering into your kitchen to demand your money -- the very fact that you are free adds the more weight to your responsibility.

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We know, now, what this war is going to cost this year. We know about how many planes and tanks and ships we'll need. We know approximately how many men we'll have in our armies and how much equipment we'll have to provide for them. We know those things because our days of guess-work are over. We know exactly what we're going to do, and how we're going to do it! From now on, we're going to do the planning -- and the attacking. And I fervently hope that we can continue to work out our financing plans together, and keep them on a voluntary basis.

But in the final analysis, that is up to you, the American people.



## TREASURY DEPARTMENT

WASHINGTON

June 12, 1945

My dear Mr. Secretary:

I am enclosing a working print of an organization chart for Washington and for the States. We have made these very general and after you have studied them you may have suggestions to make concerning the final form that some of these positions as well as divisions of work will take. I felt a need of something of this kind to take into the field with us.

Sincerely yours,

A handwritten signature in cursive script that reads "Ted R. Gamble".

Ted R. Gamble

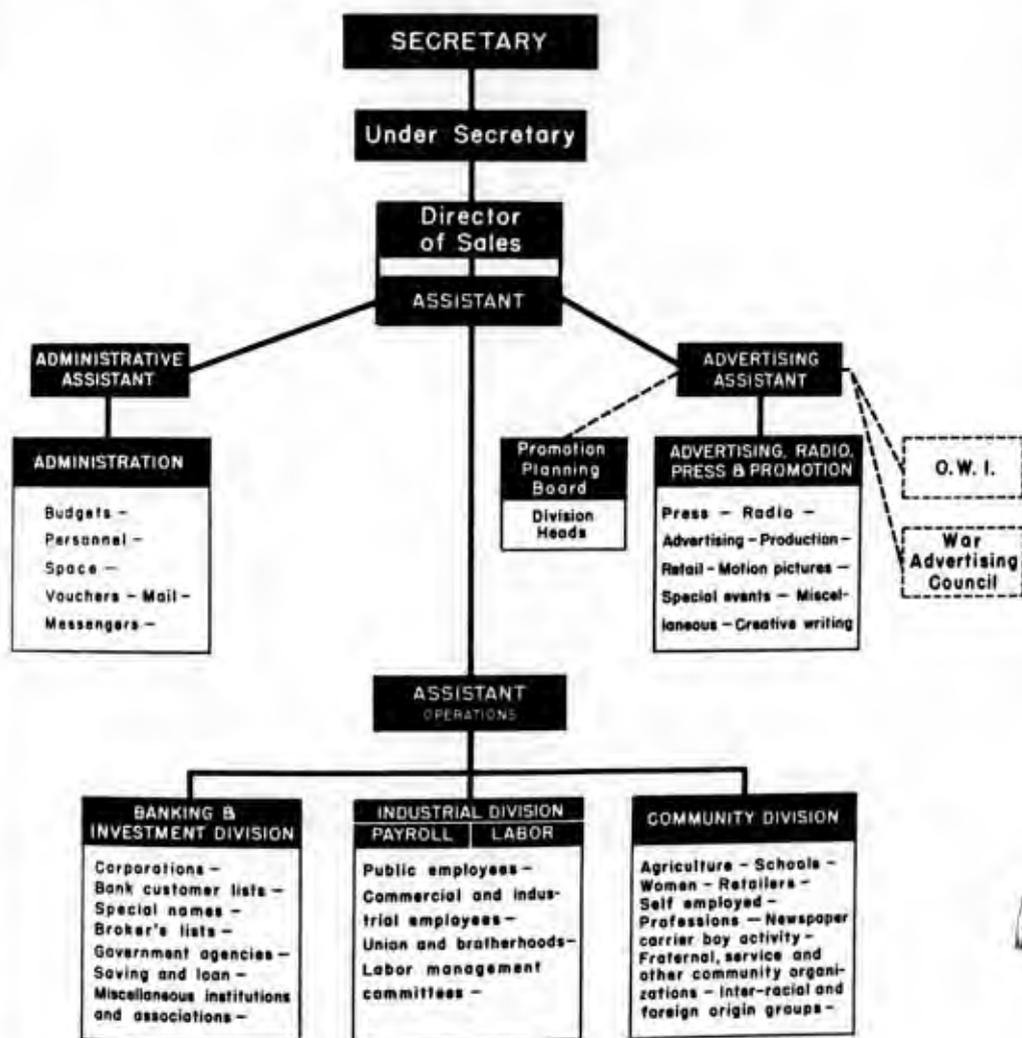
Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury  
Doctor's Hospital  
New York, New York

FOR DEFENSE



**UNITED STATES TREASURY  
WAR FINANCE COMMITTEE WASHINGTON, D.C.**

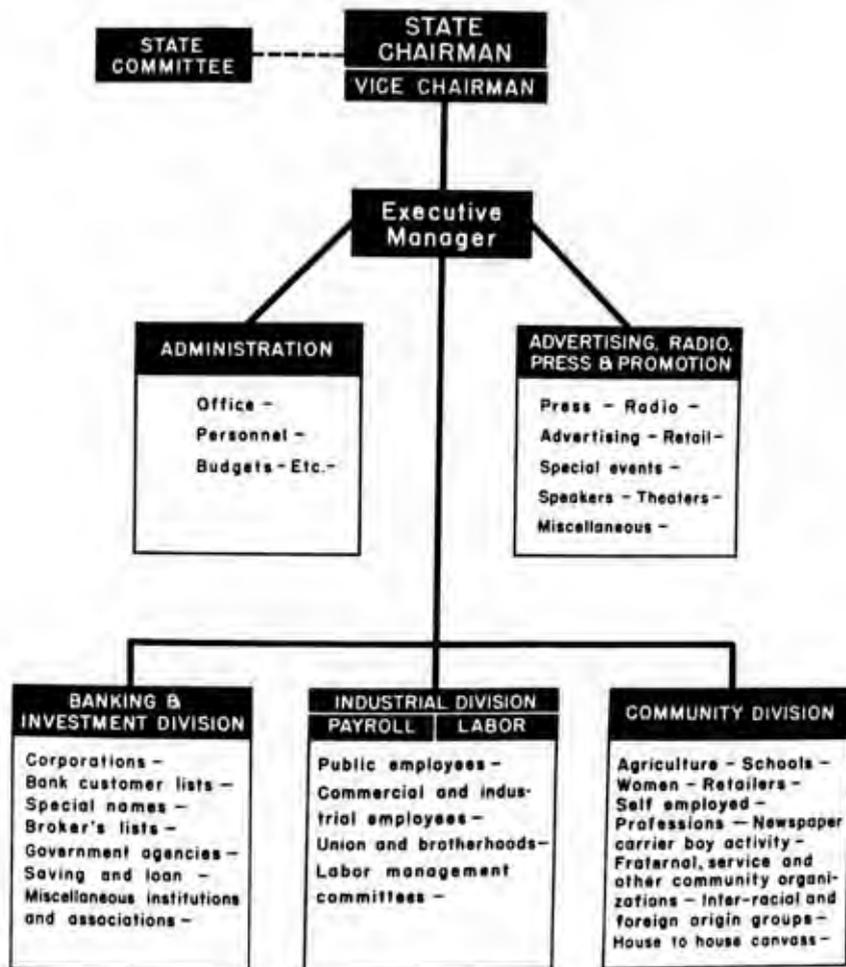
June 9, 1943



2-360

## STATE WAR FINANCE COMMITTEE

June 9, 1943



Z-361

June 12, 1943

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

FIELD DIVISION

Retail Section

The attached special sales promotion bulletin, prepared by the National Retail Dry Goods Association, was devoted to the ~~War~~ Savings Staff "Shangri-La" promotion. (Attachment No. 1)

Attached is a clipping on the promotion the Levine Bostone Store in LaPorte, Indiana, is giving to the bridal War Stamp bouquet. (Attachment No. 2)

Instead of the customary birthday sale of merchandise, Loveman's, Inc. of Chattanooga, Tennessee, will celebrate its 68th anniversary with a storewide sale of War Bonds and Stamps - "the greatest bargain in America".

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6/12/43

FIELD DIVISION (Continued)

Motion Pictures and Special Events Section

The April War Bond premiere of "Desert Victory", at the Paramount Theatre, Portland, Oregon, resulted in the sale of \$1,800,000 in War Bonds.

War Bonds and Stamps for entry fees and bids for seats at a bowling tournament in Fort Worth, Texas, resulted in sales amounting to \$263,282.25.

"Books and Authors for War Bonds", third experimental rally in New Bedford, Massachusetts, May 27th, raised \$2,041,599 in cash purchases of War Bonds. Nearly \$4,000,000 has been raised in all three such events to date, at Allentown, Pennsylvania, New Britain, Connecticut, and New Bedford, Massachusetts.

The "Truth or Consequences" War Bond broadcast from Glendale, California, on June 5th, resulted in the sale of \$2,058,088 worth of War Bonds, for a total of \$187,271,082 during the 13 weeks coast-to-coast tour.

During the past week the Two-Man Jap Sub toured Schenectady, Utica, Syracuse, Geneva, Rochester, Batavia, Niagara Falls and Buffalo, New York. State results from Maryland, New Jersey, New York and Rhode Island are attached. (Attachment No.3)

Ringling Brothers, Barnum and Bailey Circus will have the first showing on June 16th of their new continental circus, "Spangles", at Madison Square Garden given over entirely to War Bond purchasers.

FIELD DIVISION (Continued)

Women's Section

Multilithed copies of "One Hundred Billion Dollars for War", a new bulletin prepared for the War Savings Staff by the Professor of Economics, Vassar College, will be distributed to the heads of Economics Departments and to libraries in every college and university in the country.

An issue of the "Campus Clip Sheet" has been prepared for summer sessions and distributed.

The attached mimeographed booklet, "Five One Act Plays for Radio and Stage on the Subject of War Savings", has been forwarded to State Women Chairmen and State Administrators. (Attachment No. 4)

A new mimeographed pamphlet, "Do's and Do Not's for War Savings Booth Volunteers", has been prepared for use by women manning War Savings booths.

Payroll Savings Section

The companies on the attached list are reported as having achieved the goal of 10% or more during the past week. (Attachment No.5)

The analysis of exposure to Payroll Savings through May 29, 1943 is attached. (Attachment No. 6)

Education Section

Arrangements have been completed for the first national Schools-at-War Exhibit, which is to be held in Indianapolis, June 24th to July 4th, during the annual meeting of the National Education Association.

FIELD DIVISION (Continued)

Education Section

Plans are being developed for a traveling exhibit of a selected number of representative scrapbooks, with captions giving the history and achievements of the Schools-at-War Program, to be displayed by retail stores throughout the country.

Forty-three pursuit ships, eight heavy bombers, and eight medium bombers have been purchased by schools in twenty-four states as of May 31st. Southern California leads the nation with sixteen planes purchased by the schools.

Field Memoranda

Recent memoranda sent to the Field include numbers 626, 627, 628 and 629. (Attachment No. 7)

Special Activities Section

Twenty-four all-Negro public schools in Chicago carried on a War Bond and Stamp Campaign from April 12th to May 14th which resulted in total sales of \$263,132.85 - an average of more than \$10,000 per school.

June 15th will see the start of radio station WTAG's "Bombers For Berlin and Tokio" seven-weeks War Bond Campaign. No definite goal has been set as yet, but a tentative minimum of fifteen heavy bombers has been agreed upon.

NATIONAL ORGANIZATIONS DIVISION

There is no report for the Division this week.

PRESS, RADIO AND ADVERTISING DIVISION

Advertising Section

Returns to date on the general magazine campaign show 101 magazines already signed up with a circulation of over 30,000,000.

During the week of May 31st we received 101 War Bond mentions and 6 complete ads in 6 magazines. Attached is a list of the sponsoring companies and magazines in which the advertisements appeared. (Attachment No. 8)

In the June issues of the attached list of 9 monthly magazines we received 133 War Bond ad mentions and 8 complete War Bond ads, totalling 141. (Attachment No. 9)

The new business publication advertisement "The Executive Who Stops To Think" has been distributed to 700 business publications.

The 50,000 corner-sheet posters to be used in the white blanking space of the twenty-four sheet billboard posters have now been completely distributed and have received a wide response, both from national advertisers and from outdoor plant operators. Over 100 replies have been received from members of the Outdoor Advertising Association of America assuring us of their cooperation. Attached is a list of some of the national advertising companies who have promised to aid in this promotion. (Attachment No. 10)

Attached is a poster with an acrostic motif titled "Bonds or Nazi Dominated Slavery" prepared by the General Motors Corporation and used in their various plants. (Attachment No. 11)

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PRESS, RADIO AND ADVERTISING DIVISION

Advertising Section (Continued)

Attached are envelope stickers prepared by the Abbott Laboratories in which several of the poster designs distributed through the Treasury are reproduced. (Attachment No. 12)

Attached is a group of stickers prepared by the Artists for Victory, Inc., approved by the National Poster and Stamp Society. Many of the designs are illustrative of the War Bond theme. (Attachment No. 13)

Attached are a number of examples of business calling cards on which is embossed a War Bond mention. (Attachment No. 14)

Attached are photographs of painted bulletins prepared by the Southern Pacific Railway urging that "War Bonds bought now will buy train trips later." (Attachment No. 15)

Attached is a photograph of a painted bulletin erected on the plant of the Case-Moody Bakery in Chicago. The sign is located at a transfer station of the elevated lines, and has a very large impression opportunity. (Attachment No. 16)

Radio Section

Secretary Morgenthau will broadcast over the NEC Network Saturday, June 12th, 2:00 - 2:30 P.M., on "The Effect of Invasion on War Financing". The program will emanate from Kingston, New York, on the occasion of awarding the Treasury Flag to all local concerns

PRESS, RADIO AND ADVERTISING DIVISION

Radio Section (Continued)

having 90% in the Payroll Savings Plan. Music will be furnished by the 369th Army Air Force Band from Stewart Field, N. Y.

The British Broadcasting Corporation program "Stars and Stripes In Britain" will salute the special War Bond Rally being held in Aberdeen, South Dakota, over the Mutual Broadcasting System coast-to-coast network Sunday, June 13th, 7:30 - 8:00 P.M. South Dakota service men stationed in Britain will be heard on the broadcast.

A dramatic tribute to the U. S. Army engineers will be heard on the "Saturday Night Bondwagon" Saturday, June 12th, 10:15 - 10:45 P.M. over the Mutual Broadcasting System network when a distinguished cast enact "America's Burma Road". Bob Stanley conducts the orchestra.

Teddy Powell and his orchestra will replace Tommy Dorsey on the regular Treasury broadcast Friday, June 11th, over the Blue Network 12:30 - 1:00 P.M. from the Roosevelt Hotel in Washington, D. C.

Jack Benny signed off his last broadcast for the summer, the day before Memorial Day, Sunday, May 30th, 7:00 - 7:30 P.M., over the NBC Network, with a plea to buy War Bonds in memory of our dead who have fought for us since 1776. (Attachment No. 17)

PRESS, RADIO AND ADVERTISING DIVISION

Radio Section (Continued)

Radio station WHBC, Canton, Ohio, sold three and three-quarter million dollars in series "E" War Bonds through a Bond Contest inaugurated last fall and ending May 25th. War Bonds purchasers were granted votes for their favorite high school student on the weekly War Bond Quiz broadcast conducted each Tuesday during the school year. Winners received scholarships to the university of their choice.

Alvin Austin, Executive Director of the National Father's Day Committee, will describe some of the Committee's activities in cooperation with the War Bond Drive over the Mutual Broadcasting System network Monday, June 14th, 8:30 - 9:00 P.M.

"The Murder Clinic" heard over the Mutual Broadcasting System network Sundays 6:00 - 6:30 P.M. will deviate from the usual mystery story on June 13th when a skit written around War Bonds as a good investment will be presented.

Press Section

Attached is a tear sheet containing a poster reproduction carried in the June issue of PARENTS MAGAZINE. (Attachment No. 18)

Slug lines are carried on practically every page of the June issue of COSMOPOLITAN, which is attached. (Attachment No. 19)

The June issue of GLAMOUR carries a War Bond mention in a feature story, "Their Ideal Girl", and also a mention at the end of the story. (Attachment No. 20)

PRESS, RADIO AND ADVERTISING DIVISION

Press Section (Continued)

Attached are book jackets from Alfred Knopf, Inc. containing War Bond mentions. (Attachment No. 21)

Attached is newspaper release number 339 concerning purchases of Stamps and Bonds by school children. (Attachment No. 22)

OFFICE OF THE EXECUTIVE DIRECTOR

Promotional Research Section

Attached is the analysis of newspaper carrier sales as of June 10, 1943. (Attachment No. 23)

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THE WHITE HOUSE  
WASHINGTON

June 12, 1945.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

The Mobilization Director says that all that he has done about the tax matter is to invite you, Vinson and Smith to cooperate in preparing a draft of a message which I told him I wanted in considering whether I would send to the Congress a message on taxes, inflation and subsidies. Each of the Departments named have responsibilities in connection with the subjects.

If I approve a tax program I would, of course, expect you to present it to the Congress as my program. Thereafter there would be no excuse for conflicting views being presented by various officials. This unity of support should help you in presenting the program.

When you return you and the Director should get together and arrange to cooperate in this matter. Do not let the newspapers disturb you.

F.D.R.

June 12, 1943

To the Secretary-

I am having the draft of the proposed Presidential Message on taxes and subsidy payments which Gerhard Colm sent me this morning, transmitted to you through the Secret Service in order that you may have it on Monday, at which time it may be necessary for us here in the Treasury to talk to you about it. Mr. Paul, Mr. White and Mr. Haas are away today, Mr. Gaston is getting ready to leave tonight, and we were all tied up most of the morning on your speech so those of us here have not had much opportunity to go over this proposed message. I called Ben Cohen as to the time and he said we had at least until Monday.

Personally I should not think that such a message would go out until after your conference with the congressional representatives on Tuesday, at which time you might get their reaction to a message from the President at this time.

For convenient references in any telephone conversation we may have on Monday, I have numbered the paragraphs. There are a few which I should like to have you note particularly.

Paragraph Number 7 takes a defeatist attitude and certainly should be rearranged.

In Paragraph Number 10 you will notice that they have used taxes and current savings together, and in Paragraph 11 additional taxes and savings are synonymous with revenue. Savings certainly are not revenue, but borrowings.

In Paragraph 12 you will notice that they have stated that the Executive Branch of the Government will do everything it can to help the Congress in the difficult task of providing adequate "fiscal legislation."

In Paragraph Number 13 it is suggested that the basic rate of collection at the source should be substantially increased. I am not sure whether this means the normal and surtax basic rates. Certainly the rate of withholding should not be increased unless the basic rates of taxation are increased, because millions of taxpayers are now paying their taxes in full under the 20 per cent withholding.

You will <sup>also</sup> note that in Paragraph 16 compulsory saving is brought into the picture, and again in Paragraph 34.

You will also note that the whole tax and savings program calls for twenty billion dollars on an annual basis.

I have not had time to figure it out, but the subsidy program looks very costly to me. If it costs half a billion dollars for each point we roll back the cost of living, I should think it would become very expensive.

We have received an answer from the President to your letter of June tenth. I did not, however, want to make it a part of this transmission.

D. W. B.

## Par. 1.

I have signed the current tax payment bill. I have done so, despite my objections to the forgiveness provisions of the bill, because I deem current collection of individual income taxes essential to our revenue system. Such a method of collection is imperative with rates at needed levels. It will facilitate tax payments for millions of small taxpayers now brought under our income tax laws, and will prevent delinquencies. It will mean prompter collection of taxes on higher 1943 incomes, and it will make the income tax a more responsive instrument of inflation control.

## Par. 2.

I must repeat that I wholly disapprove the forgiving of the bulk of a year's tax liabilities to those in the higher income brackets who have long been accustomed to the income tax system. The net estates of these taxpayers will be thereby enhanced, in a war year, through accretions which in many cases are greater than they have enjoyed in any year since the beginning of the last world war. I regard these forgiveness features of the act as inequitable, and I hope that the Congress, taking second thought, will do all in its power to remedy the situation by the amendment and upward revision of the estate and gift taxes, by putting an end to tax-exempt securities, and by closing up other tax loopholes.

## Par. 3.

But adoption of a current method of tax payment is not the end of our problem.

Par. 4.

During the war our aggregate incomes have increased enormously, but the aggregate amount of goods and services available for our civilian needs has been substantially reduced. After taking taxes and savings out of our rising incomes, we shall have left much more money to spend for goods and services than we shall have goods and services for civilian use.

Par. 5.

We cannot stand idly by and fail to do what we can to close the flood gates against the inflation which imminently threatens to overwhelm us. To do this, we must impose on ourselves much higher taxes.

Par. 6.

Unless we adopt fiscal measures adequate to control this gap between purchasing power and supplies available to be bought, the gap will be bridged by higher prices, legal or illegal, or by further accumulation of liquid assets ready to surge into the markets for commodities or capital assets. All other controls--price ceilings, rationing, wage stabilization--cannot withstand the consequent inflationary pressure and our domestic security and maximum production will be seriously impaired.

Par. 7.

We are all opposed to black markets. But until the billions of dollars of excess purchasing power are absorbed by taxation or savings, black markets will thrive and flourish, price ceilings will be evaded, and wages will be forced upward. Effective stabilization, on the other hand, assures people that they can buy an adequate minimum of supplies on legitimate markets, and that the cost of the war is distributed in the most equitable manner.

Par. 8.

We cannot hope to meet the total costs of the war out of current taxation. Though war necessitates that we all change our living habits, there is a point beyond which we cannot go without retarding rather than advancing the war effort.

Par. 9.

But we should aim at meeting at least one-half of the cost of the war through taxation and enforced saving. Both England and Canada are bearing in form of taxes and enforced savings about 50 per cent of their war costs. We should be able to do at least as well. With our present taxes we are paying about a third of our war costs. That is not enough.

Par. 10.

Our failure to pay more of our war costs from taxes and current savings is not only handicapping us in our fight against inflation, but is storing up trouble for the future. It is unfair to our fighting men to pass on to their shoulders too heavy a load. We at home must meet our obligations.

Par. 11.

Our objective should be to secure additional taxes and savings which in a full year of operation will yield an additional 20 billion dollars in revenues. If before October first the Congress adopts a 20 billion dollar program so that by the end of the year we are obtaining full collections under such a program, revenue receipts during the fiscal year 1944 will still fall substantially short of the 16 billion dollars objective stated in my budget message of January 6, 1943. Any delay in the enactment of the proposed program will further increase this deficiency.

Par. 12.

I know that the Congress has been in session for a long time without recess. But our need for adequate fiscal legislation is such that I must urge upon the Congress the necessity for such legislation at an early date. The Executive Branch of the Government will do everything it can to help the Congress in the difficult task.

Par. 13.

I wish to state at this time general principles constituting my fiscal policy upon which I shall stand and which I hope may be, under present circumstances, helpful to the Congress in working out a war-time tax program. I suggest that the basic rate of collection at the source should be substantially increased. To preserve the progressive character of the individual income tax, I recommend a special and steeply graduated tax on the higher incomes.

Par. 14.

I repeat my suggestion that the inequities of the tax cancellation provisions of the current tax payment act be corrected as far as feasible by appropriate amendment of the estate and gift tax laws. I also believe that an increase in corporate taxes should be given serious consideration.

Par. 15.

I also recommend additional excise taxes on commodities which, under war-time standards, may be regarded as luxuries; any tax further encroaching on subsistence levels, however, would, in my opinion, be wholly inconsistent with the policy of reducing the price of essentials which I am recommending later in this message.

Par. 16.

I believe that we should collect the greatest possible amount of a 20 billion dollar program by additional taxes, but if the Congress should feel that this whole amount cannot be secured by additional taxes without undue hardship, resort should be had to compulsory savings. In that case, provision should be made for the release of savings during the war to relieve genuine hardship.

Par. 17.

While an adequate tax and savings program is necessary to enable us to keep the cost of living stable, we cannot have an adequate or fair tax or savings program unless we keep our pledge to stabilize the cost of living.

Par. 18.

In the Act of October 2, 1942, the Congress directed that prices, wages and salaries, effecting the cost of living be stabilized as far as practicable on the basis of the levels existing on September 15. Since September 15, the worker's weekly pay check has risen primarily because of lengthened hours and secondarily because of the correction of inequities in the existing wage structure. But there are many workers who have received no wage increases since September 15, and the cost of living has continued to rise.

Par. 19.

The wage stabilization program is dependent on the stabilization of the cost of living. This is expressly recognized in the Act of October 2, 1942. The Little Steel Formula was based on the fact that there had been a rise of approximately 15 per cent in the cost of living between January 1941 and May 1942, for which rise workers could be

Par. 19 (cont'd)

compensated by wage increases. The cost of living has now risen about 8 per cent above what it was in May 1942 and about 6 per cent above what it was in September 1942.

Par. 20.

Labor organizations have requested a cut in the cost of living to the September or even May 1942 levels. They contend that stabilization of wage rates has been more effective in recent months than stabilization of prices.

Par. 21.

Whatever theoretical choices may conceivably be open to us, practically we will have only two. We must roll back the cost of living or we will be forced to allow wages to rise. If wages rise the cost of living will not stand where it is; it will go up and the inflationary spiral will gain strength.

Par. 22.

We have already recognized the necessity of rolling back the costs of important items in the family food basket. Such reduction is essential to hold the wage line.

Par. 23.

I do not think, however, that a roll back of all living costs or wage incomes to the September level is practicable. We all must be prepared in total war to accept a substantial cut in our accustomed standards of living. But we must cut back a substantial part of the rise in the cost of living since September 15, if we are going to hold the wage line.

Par. 24.

We must take positive steps to assure our people that adequate supplies of essentials will be available in legitimate markets at prices within their reach. Such action will help to hold the line and prevent the beginning of another spiral.

Par. 25.

It should be possible to roll back the cost of living to some extent by reducing profits and margins where they are excessive. But to break the strong inflationary trend now operative, and to maintain prices at a reduced level, it will be necessary to make a limited use of subsidies in addition to a firm price and wage policy and an adequate fiscal program. This was the only way Canada and England were able to stop the rising price trend and to stabilize wages. I am deeply convinced that this is the only practical way we can prevent the inflationary spiral from getting beyond control.

Par. 26.

I am convinced that a limited and judicious use of consumers subsidies is the cheapest practical course of action open to us. It will take something less than a half billion dollars for each point we undertake to roll back in the cost-of-living index.

Par. 27.

The only alternative to such action will be more costly to the Treasury and to the people. If we default on our obligation to stabilize the cost of living "so far as practical/<sup>be</sup> on the basis of the levels which existed on September 15," as the Act of October 2 directed us to do, a modification of the Little Steel Formula will, I believe, be unavoidable. I am convinced that an increase in labor costs will add substantially more

Par. 27 (cont'd)

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to our war expenditures than the limited amount of subsidies necessary to stabilize the cost of living and forestall wage demands.

Par. 28.

If only a 5 per cent overall increase in wages should occur as a consequence of our default, that added cost of labor alone would cause an increase of not less than two and one-quarter per cent in the general level of prices. That would increase our annual war costs approximately two and one-quarter billion dollars. For we are spending 100 billions per annum for war and every rise of one per cent in the prices Government pays adds approximately one billion to the Government's war expenditures assuming, of course, that soldier's pay and dependent allotments are increased proportionately. A five per cent wage increase would, moreover, increase the cost of living by at least two and one-quarter per cent and would cost consumers at least two billion dollars a year. The limited subsidies I have in mind to stabilize the cost of living do not even approach these figures.

Par. 29.

And, what is more, if we would have taken the wage increase route we would not have stabilized the cost of living even at this higher level. Rising costs would continue to press against the price and wage levels and these would be forced higher still. Rising wages would add to the excess purchasing power, and an enlarged inflationary gap might make the fiscal task of absorbing excess purchasing power by higher taxes and enforced savings unmanageable. Those with small fixed incomes, widows and old folks with small pensions, the white-collar and unorganized workers, the soldiers' wives and children with small dependency allowances, would be ground below the margin of fair subsistence .

Par. 30.

I need not tell the Congress the devastation which will be wrought, far and wide, on the farmer, the worker and the business man, if the fires of inflation ever get out of control.

Par. 31.

I have been speaking of the need of subsidies to stop and roll back rising consumer's costs in order to avoid further wage increases which would accelerate the inflationary spiral. We have for some time by support programs and benefit payments provided inducements to get the war crops we need. We shall have to continue to use support prices and incentive payments to secure in requisite volume the needed war crops. But if we want to avoid inflation we must see that these rising costs are not passed on to the consumers. For if consumers' food prices are not rolled back and maintained at the lower level, we shall not be able to hold the wage line, and if the wage line is not held, the support prices and incentive payments which we make to producers will be nullified by the inflation of all prices and all costs.

Par. 32.

We must pay enough to producers to get the war production we need. But we must get the necessities of life to consumers at prices low enough to avoid inflation.

Par. 33.

Those in command of our war economy like those in command of our armies must be endowed with adequate authority to meet emergency situations as they arise. Subsidy programs will be undertaken only with the approval of the Director of Economic Stabilization and he will submit to the Congress quarterly reports on subsidies paid in support of the stabilization program.

Par. 34.

I appeal to the Congress, I appeal to the people to pull together as a team to stabilize the cost of living. With the cost of living in process of being stabilized on a firm foundation, we must proceed to mop up and store up by tax action and enforced savings the excess purchasing power in the market which constantly threatens to undermine that foundation.

Par. 35.

Despite the loss of life and of treasure we can come out of this war with our economy in working order. We will have plants and technical knowledge and trained skill such as we have never before possessed. We will be able to achieve a higher standard of living than ever before if only we do not let our economy get out of gear, if only we avoid the dangers of wartime inflation. We must avoid these dangers if we are to play our part in the postwar reconstruction and to achieve a lasting and durable peace. We must not throw away the fruits of victory.

It has been suggested that the following be added at the bottom of Paragraph 16 (p. 7 of this draft):

I recommend also a very substantial expansion and improvement of our social security program. Our economy can afford higher contributions for social insurance. It will help also to protect millions of our workers in the postwar period.

June 11, 1943

SECRET SVC NY <sup>TSD</sup> KETTL FFF

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WA CLG HLD OK EOC  
RDY WITH NY 1-2139  
ANNOUNCE AG PLS TSECRET SERVICE WA WILSON

SECRET SVC NY KETTL FFF

THIS IS THE MESSAGE TO THE DUKE ABOUT WHICH YOU INQUIRED EARLIER TODAY.

-43 YO ARE YOU READY TO TAKE IT

YES

THIS MESSAGE MUST BE DELIVERED TO DUKE THIS EVENING OR TOMMORROW MORNING.

JUNE 12 1943

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TO THE SECRETARY-

I AM HAVING THE DRAFT OF THE PROPOSED PRESIDENTIAL MESSAGE ON TAXES AND SUBSIDY PAYMENTS WHICH GERHARD COLM SENT ME THIS MORNING, TRANSMITTED TO YOU THROUGH THE SECRET SERVICE IN ORDER THAT YOU MAY HAVE IT BY XXX ON MONDAY, AT WHICH TIME IT MAY BE NECESSARY FOR US HERE IN THE TREASURY TO TALK TO YOU ABOUT IT. MR. PAUL, MR. WHITE AND MR. HAAS ARE AWAY TODAY, MR. GASTON IS GETTING READY TO LEAVE TONIGHT, AND WE WERE ALL TIED UP MOST OF THE MORNING ON YOUR SPEECH SO THOSE OF US HERE HAVE NOT HAD MUCH OPPORTUNIYXXX OPPORTUNITY TO GO OVER THIS PROPOSED MESSAGE. I CALLED BEN COHEN AS TO THE TIME AND HE SAID WE HAD AT LEAST UNTIL MONDAY.

PERSONALLY I SHOULD NOT THINK THAT SUCH A MESSAGE WOULD GO OUT UNTIL AFTER YOUR CONFERENCE WITH THE CONGRESSIONAL REPRESENTATIVES ON TUESDAY, AT WHICH TIME YOU MIGHT GET THEIR REACTION TO A MESSAGE FROM THE PRESIDENT AT THIS TIME.

FOR CONVENIENT REFERENCES IN ANY TELEPHONE CONVERSATION WE MAY HAVE ON MONDAY, I HAVE NUMBERED THE PARAGRAPHS. THERE ARE A FEW WHICH I SHOULD LIKE TO HAVE YOU NOTE PARTICULARLY.

PARAGRAPH NUMBER 7 RXXX TAKES A DEFEATIST ATTITUDE AND CERTAINLY SHOULD BE REARRANGED M

IN PARAGRAPH NUMBER 10 YOU WILL NOTICE THAT THEY HAVE USED TAXES AND CURRENT SAVINGS TOGETHER, AND IN PARAGRAPH 11 ADDITIONAL TAXES AND SAVINGS ARE SYNONYMOUS WITH REVENUE. SAIXXXSAIXXX SAVINGS CERTAINLY ARE NOT REVENUE, BUT BORROWINGS.

IN PARAGRAPH 12 YOU WILL NOTICE THAT THEY HAVE STATED THAT THE EXECUTIVE BRANCH OF THE GOVERNMENT WILL DO EVERYTHING IT CAN TO HELP THE CONGRESS IN THE DIFFICULT TASK OF PROVIDING ADEQUATE "FISCAL LEGISLATION."

IN PARAGRAPH NUMBER 13 IT IS SUGGESTED THAT THE BASIC RATE OF COLLECTION AT THE SOURCE SHOULD BE SUBSTANTIALLY INCREASED M. I AM NOT SURE WHETHER THIS MEANS THE NORMAL AND SURTAX BASIC RATES. CERTAINLY THE RATE OF WITHHOLDING SHOULD NOT BE INCREASED UNLESS THE BASIC RATES OF TAXATION ARE INCREASED, BECAUSE MILLIONS OF TAXPAYERS ARE NOW PAYING THEIR TAXES IN FULL UNDER THE 20 PER CENT WITHHOLDING.

YOU WILL <sup>also</sup> NOTE THAT IN PARAGRAPH 16 COMPULSOY CXXX COMPULSOY COMPULSORY SAVING IS BROUGHT INTO THE PICTURE, AND AGAIN IN PARAGRAPH 34.

YOU WILL ALSO NOTE THAT THE WHOLE TAX AND SAVINGS PROGRAM CZLLS FOR TWENTY BILLION DOLLARS ON AN ANNUAL BASIS.

I HAVE NOT HAD TIME TO FIGURE IT OUT, BUT THE SUBSIDY PROGRAM LOOKS VERY COSTLY TO ME. IF IT COSTS HALF A BILLION DOLLARS FOR EACH POINT WE ROLL BACK THE COST OF LIVING, I SHOULD THINK IT WOULD BECOME VERY EXPENSIVE.

WE HAVE RECEIVED AN ANSWER FROM THE PRESIDENT TO YOUR LETTER OF JUNE TENTH. I DID NOT, HOWEVER, WANT TO MAKE IT A PART OF THIS TRANSMISSION.

I HAVE SIGNED THE CURRENT TAX PAYMENT BILL. I HAVE DONE SO, DESPITE MY OBJECTIONS TO THE FORGIVENESS PROVISIONS OF THE BILL, BECAUSE I DEEM CURRENT COLLECTION OF INDIVIDUAL INCOME TAXES ESSENTIAL TO OUR REVENUE SYSTEM. SUCH A METHOD OF COLLECTION IS IMPERATIVE WITH RATES AT NEEDED LEVELS

. IT WILL FACILITATE TAX PAYMENTS FOR MILLIONS OF SMALL TAXPAYERS NOW BROUGHT UNDER OUR CXXX INCOME TAX LAWS, AND WILL PREVENT DELINQUENCIES. IT WILL MEAN PROMPTER COLLECTION OF TAXES ON WINTER 1943 INCOMES, AND IT WILL MAKE THE INCOME TAX A MORE RESPONSIVE INSTRUMENT OF INFLATION CONTROL.

## PAR. 2

I MUST REPEAT THAT I WHOLLY DISAPPROVE THE FORGIVING OF THE BULK OF A YEAR'S TAX LIABILITIES TO THOSE IN THE HIGHER INCOME BRACKETS WHO HAVE LONG BEEN ACCUSTOMED TO THE INCOME TAX SYSTEM. THE NET ESTATES OF THESE TAXPAYERS WILL BE THEREBY ENHANCED, IN A WAR YEAR, THROUGH ACCRETIONS WHICH IN MANY CASES ARE GREATER THAN THEY HAVE ENJOYED IN ANY YEAR SINCE THE BEGINNING OF THE LAST WORLD WAR. I REGARD THESE FORGIVENESS FEATURES OF THE ACT AS INEQUITABLE, AND I HOPE THAT THE CONGRESS, TAKING SECOND THOUGHT, WILL DO ALL IN ITS POWER TO REMEDY THE SITUATION BY THE AMENDMENT AND UPWARD REVISION OF THE ESTATE AND GIFT TAXES, BY PUTTING AN END TO TAX-EXEMPT SECURITIES, AND BY CLOSING UP OTHER TXXX TAX LOOPHOLES.

9-4

## PAR. 3

BUT ADOPTION OF A CURRENT METHOD OF TAX PAYMENT IS NOT THE END OF OUR PROBLEM.

## PAR. 4

DURING THE WAR OUR AGGREGATE INCOMES HAVE INCREASED ENORMOUSLY, BUT THE AGGREGATE AMOUNT OF GOODS AND SERVICES AVAILABLE FOR OUR CIVILIAN NEEDS HAS BEEN SUBSTANTIALLY REDUCED. AFTER TAKING TAXES AND SAVINGS OUT OF OUR RISING INCOMES, WE SHALL HAVE LEFT MUCH MORE MONEY TO SPEND FOR GOODS AND SERVICES THAN WE SHALL HAVE GOODS AND SERVICES FOR CIVILIAN USE.

## PAR. 5

WE CAN NOT STAND IDLY BY AND FAIL TO DO WHAT WE CAN TO CLOSE THE FLOOD GATES AGAINST THE INFLATION WHICH IMMINENTLY THREATENS TO OVERWHELM US. TO DO THIS, WE MUST IMPOSE ON OURSELVES MUCH HIGHER AXXX TAXES.

## PAR. 6

UNLESS WE ADOPT FISCAL MEASURES ADEQUATE TO CONTROL THIS GAP BETWEEN PURCHASING POWER AND SUPPLIES AVAILABLE TO BE BOUGHT, THE GAP WILL BE BRIDGED BY HIGHER PRICES, LEGAL OR ILLEGAL, OR BY FURTHER ACCUMULATION OF LIQUID ASSETS READY TO SURGE INTO THE MARKETS FOR ~~CONSUMPTION~~

CONSUMPTIONS OR CAPITAL ASSETS. ALL OTHER CONTROLS - PRICE CEILINGS, RATIONING, WAGE STABILIZATION - CAN NOT WITHSTAND THE CONSEQUENT INFLATIONARY PRESSURE AND OUR DOMESTIC SECURITY AND MAXIMUM PRODUCTION WILL BE SERIOUSLY IMPACTED.

WE ARE ALL OPPOSED TO BLACK MARKETS. BUT UNTIL THE BILLIONS OF <sup>188</sup> DOLLARS OF EXCESS PURCHASING POWER ARE ABSORBED BY TAXATION OR SAVINGS, BLACK MARKETS WILL THRIVE AND FLOURISH, PRICE CEILINGS WILL BE EVADED, AND WAGES WILL BE FORCED UPWARD. EFFECTIVE STABILIZATION, ON THE OTHER HAND, ASSURES PEOPLE THAT THEY CAN BUY AN ADEQUATE MINIMUM OF SUPPLIES ON LEGITIMATE MARKETS, AND THAT THE COST OF THE WAR IS DISTRIBUTED IN THE MOST EQUITABLE MANNER.

PAR. 5

WE CAN NOT HOPE TO MEET THE TOTAL COSTS OF THE WAR OUT OF CURRENT TAXATION. THOUGH WAR NECESSITATES THAT WE ALL CHANGE OUR LIVING HABITS, THERE IS A POINT BEYOND WHICH WE CANNOT GO WITHOUT RETARDING RATHER THAN ADVANCING THE WAR EFFORT.

PAR. 8

BUT WE SHOULD AIM AT MEETING AT LEAST ONE-HALF OF THE COST OF THE WAR THROUGH TAXATION AND ENFORCED SAVING. BOTH ENGLAND AND CANADA ARE BEARING IN FORM OF TAXES AND ENFORCED SAVINGS ABOUT 20 PER CENT OF THEIR WAR COSTS. WE SHOULD BE ABLE TO DO AT LEAST AS WELL. WITH OUR PRESENT TAXES WE ARE PAYING ABOUT A THIRD OF OUR WAR COSTS. THAT IS NOT ENOUGH

PAR. 10

OUR FAILURE TO PAY MORE OF OUR WAR COSTS FROM TAXES AND CURRENT SAVINGS IS NOT ONLY HANDICAPPING US IN OUR FIGHT AGAINST INFLATION, BUT IS STORING UP TROUBLE FOR THE FUTURE. IT IS UNFAIR TO OUR FIGHTING MEN TO PASS ON TO THEIR SHOULDERS TOO HEAVY A LOAD. WE AT HOME MUST MEET OUR OBLIGATIONS.

PAR. 11

OUR OBJECTIVE SHOULD BE TO SECURE ADDITIONAL TAXES AND SAVINGS WHICH IN A FULL YEAR OF OPERATION WILL YIELD AN ADDITIONAL 20 BILLION DOLLARS IN REVENUES. IF BEFORE OCTOBER FIRST THE CONGRESS ADOPTS A 20 BILLION DOLLAR PROGRAM SO THAT BY THE END OF THE YEAR WE ARE OBTAINING FULL COLLECTIONS UNDER SUCH A PROGRAM, REVENUE RECEIPTS DURING THE FISCAL YEAR 1944 WILL STILL FALL SUBSTANTIALLY SHORT OF THE 16 BILLION DOLLARS OBJECTIVE STATED IN MY BUDGET MESSAGE OF JANUARY 6, 1943. ANY DELAY IN THE ENACTMENT OF THE PROPOSED PROGRAM WILL FURTHER INCREASE THIS DEFICIENCY.

PAR. 12

I KNOW THAT THE CONGRESS HAS BEEN IN SESSION FOR A LONG TIME WITHOUT RECESS. BUT OUR NEED FOR ADEQUATE FISCAL LEGISLATION IS SUCH THAT I MUST URGE UPON THE CONGRESS THE NECESSITY FOR SUCH LEGISLATION AT AN EARLY DATE. THE EXECUTIVE BRANCH OF THE GOVERNMENT WILL DO EVERYTHING IT CAN TO HELP THE CONGRESS IN THE DIFFICULT TASK.

PAR. 13

I WISH TO STATE AT THIS TIME GENERAL PRINCIPLES CONSTITUTING MY FISCAL POLICY UPON WHICH I SHALL STAND AND WHICH I HOPE MAY BE, UNDER PRESENT CIRCUMSTANCES, HELPFUL TO THE CONGRESS IN WORKING OUT A WAR-TIME TAX PROGRAM. I SUGGEST THAT THE BASIC RATE OF COLLECTION AT THE SOURCE SHOULD BE SUBSTANTIALLY INCREASED. TO PRESERVE THE PROGRESSIVE CHARACTER OF THE INDIVIDUAL INCOME TAX, I RECOMMEND A SPECIAL AND STEEPLY GRADUATED TAX ON THE HIGHER INCOMES.

PAG. 14

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I REPEAT MY SUGGESTION THAT THE INEQUITIES OF THE TAX CANCELLATION PROVISIONS OF THE CURRENT TAX PAYMENT ACT BE CORRECTED AS FAR AS FEASIBLE BY APPROPRIATE AMENDMENT OF THE ESTATE AND GIFT TAX LAWS. I ALSO BELIEVE THAT AN INCREASE IN CORPORATE TAXES SHOULD BE GIVEN SERIOUS CONSIDERATION.

PAG. 15

I ALSO RECOMMEND ADDITIONAL EXCISE TAXES ON COMMODITIES WHICH MAY BE REGARDED AS LUXURIES. ANY TAX FURTHER ENCROACHING ON SUBSISTENCE LEVELS, HOWEVER, WOULD, IN MY OPINION, BE WHOLLY INCONSISTENT WITH THE POLICY OF REDUCING THE PRICE OF ESSENTIALS WHICH I AM RECOMMENDING LATER IN THIS MESSAGE.

PAG. 16

I BELIEVE THAT WE SHOULD COLLECT THE GREATEST POSSIBLE AMOUNT OF A 20 BILLION DOLLAR PROGRAM BY ADDITIONAL TAXES, BUT IF THE CONGRESS SHOULD FEEL THAT THIS WHOLE AMOUNT CAN NOT BE SECURED BY ADDITIONAL TAXES WITHOUT UNDUHARDSHIP, RESORT SHOULD BE HAD TO COMPULSORY SAVINGS. IN THAT CASE, PROVISION SHOULD BE MADE FOR THE RELEASE OF SAVINGS DURING THE WAR TO RELIEVE GENUINE HARDSHIP.

PAG. 17

WHILE AN ADEQUATE TAX AND SAVINGS PROGRAM IS NECESSARY TO ENABLE US TO KEEP THE COST OF LIVING STABLE, WE CANNOT HAVE AN ADEQUATE OR FAIR TAX OR SAVINGS PROGRAM UNLESS WE KEEP OUR PLEDGETO STABILIZE THE COST OF LIVING.

PAG. 18

IN THE ACT OF OCTOBER 2, 1942, THE CONGRESS DIRECTED THAT PRICES, WAGES AND SALARIES, EFFECTING THE COST OF LIVING BE STABILIZED AS FAR AS PRACTICABLE ON THE BASIS OF THE LEVELS EXISTING ON SEPTEMBER 15. SINCE ~~SEPTEMBER 5~~ SEPTEMBER 15, THE WORKER'S WEEKLY PAY CHECK HAS RISEN PRIMARILY BECAUSE OF LENGTHENED HOURS AND SECONDARILY BECAUSE OF THE CORRECTION OF INEQUITIES IN THE EXISTING WAGE STRUCTURE. BUT THERE ARE MANY WORKERS WHO HAVE RECEIVED NO WAGE INCREASES SINCE SEPTEMBER 15, AND THE COST OF LIVING HAS CONTINUED TO RISE.

PAG. 19

THE WAGE STABILIZATION PROGRAM IS DEPENDENT ON THE STABILIZATION OF THE COST OF LIVING. THIS IS EXPRESSLY RECOGNIZED IN THE ACT OF OCTOBER 2, 1942. THE LITTLE STEEL FORMULA WAS BASED ON THE FACT THAT THERE HAD BEEN A RISE OF APPROXIMATELY 15 PER CENT IN THE COST OF LIVING SINCE JANUARY 1941 AND MAY 1942, FOR WHICH RISE WORKERS COULD BE COMPENSATED BY WAGE INCREASES. THE COST OF LIVING HAS NOW RISEN ABOUT 10 PER CENT ABOVE WHAT IT WAS IN MAY 1942 AND ABOUT 5 PERCENT ABOVE WHAT IT WAS IN SEPTEMBER 1942.

PAG. 20

LABOR ORGANIZATIONS HAVE REQUESTED A CUT IN THE COST OF LIVING TO THE SEPTEMBER OR EVEN MAY 1942 LEVELS. THEY CONTEND THAT STABILIZATION OF WAGES HAS BEEN MORE EFFECTIVE IN RECENT MONTHS THAN STABILIZATION OF PRICES.

WHATEVER THEORETICAL CHOICES MAY CONCEIVABLY BE OPEN TO US, PRACTICALLY WE WILL HAVE ONLY TWO. WE MUST ROLL BACK THE COST OF LIVING OR WE WILL BE FORCED TO LIVE WHERE IT IS, IT WILL INFLATIONARY SPIRAL WILL GAIN STRENGTH.

PAR. 22

WE HAVE ALREADY RECOGNIZED THE NECESSITY OF ROLLING BACK THE COSTS OF IMPORTANT ITEMS IN THE FAMILY FOOD BASKET. SUCH REDUCTION IS ESSENTIAL TO HOLD THE WAGE LINE.

PAR. 23

I DO NOT THINK, HOWEVER, THAT A ROLL BACK OF ALL LIVING COSTS OR TO THE SEPTEMBER LEVEL IS PRACTICABLE. WE ALL MUST BE PREPARED IN TOTAL WAR TO ACCEPT A SUBSTANTIAL CUT IN OUR ACCUSTOMED COSTS OF LIVING. BUT WE MUST CUT BACK A SUBSTANTIAL PART OF THE COST OF LIVING SINCE SEPTEMBER 15, IF WE ARE GOING TO HOLD THE WAGE LINE.

PAR. 24

WE MUST TAKE POSITIVE STEPS TO ASSURE OUR PEOPLE THAT ADEQUATE SUPPLIES OF ESSENTIALS WILL BE AVAILABLE IN LEGITIMATE MARKETS AT PRICES WITHIN THEIR REACH. SUCH ACTION WILL HELP TO HOLD THE LINE AND PREVENT THE BEGINNING OF ANOTHER SPIRAL.

PAR. 25

IT SHOULD BE POSSIBLE TO ROLL BACK THE COST OF LIVING TO SOME EXTENT BY REDUCING PROFITS AND MARGINS WHERE THEY ARE EXCESSIVE. TO BREAK THE STRONG INFLATIONARY TREND NOW OPERATIVE, AND TO MAINTAIN STABLE PRICES AT A REDUCED LEVEL, IT WILL BE NECESSARY TO MAKE A LIMITED USE OF SUBSIDIES IN ADDITION TO A FIRM PRICE AND WAGE POLICY AND AN APPROPRIATE FISCAL PROGRAM. THIS WAS THE ONLY WAY CANADA AND ENGLAND WERE ABLE TO STOP THE RISING PRICE TREND AND TO STABILIZE WAGES. I AM FULLY CONVINCED THAT THIS IS THE ONLY PRACTICAL WAY WE CAN PREVENT THE INFLATIONARY SPIRAL FROM GETTING BEYOND CONTROL.

PAR. 26

I AM CONVINCED THAT A LIMITED AND JUDICIOUS USE OF CONSUMER SUBSIDIES IS THE CHEAPEST PRACTICAL COURSE OF ACTION OPEN TO US. IT WILL TAKE SOMETHING LESS THAN A HALF BILLION DOLLARS FOR EACH POINT WE UNDERTAKE TO ROLL BACK IN THE COST-OF-LIVING INDEX.

PAR. 27

THE ONLY ALTERNATIVE TO SUCH ACTION WILL BE MORE COSTLY TO THE TREASURY AND TO THE PEOPLE. IF WE DEFAULT ON OUR OBLIGATION TO STABILIZE THE COST OF LIVING "SO FAR AS PRACTICAL BE ON THE BASIS OF THE LEVELS WHICH EXISTED ON SEPTEMBER 15", AS THE ACT OF OCTOBER 2 DIRECTS US TO DO A MODIFICATION OF THE LITTLE STEEL FORMULA WILL, I BELIEVE, BE UNAVOIDABLE. I AM CONVINCED THAT AN INCREASE IN LABOR COSTS WILL ADD SUBSTANTIALLY MORE TO OUR WAR EXPENDITURES THAN THE LIMITED AMOUNT OF SUBSIDIES NECESSARY TO STABILIZE THE COST OF LIVING AND FORESTALL WAGE DEMANDS.

IF ONLY A 5 PERCENT OVERALL INCREASE IN WAGES SHOULD OCCUR AS A CONSEQUENCE OF OUR DEFAULT, THAT ADDED COST OF LABOR ALONE WOULD CAUSE AN INCREASE OF NOT LESS THAN TWO AND ONE-QUARTER PERCENT IN THE GENERAL LEVEL OF PRICES. THAT WOULD INCREASE OUR ANNUAL

COSTS APPROXIMATELY TWO AND ONE-QUARTER BILLION DOLLARS. FOR WE ARE SPENDING 100 BILLIONS PER ANNUM FOR WAR AND EVERY RISE OF ONE PERCENT IN THE PRICES GOVERNMENT PAYS ADDS APPROXIMATELY ONE BILLION TO THE GOVERNMENT'S WAR EXPENDITURES. ASSUMING, OF COURSE, THAT SOLDIERS PAY AND DEPENDENT ALLOTMENTS ARE INCREASED PROPORTIONATELY. A FIVE PERCENT WAGE INCREASE WOULD, MOREOVER, INCREASE THE COST OF LIVING BY AT LEAST TWO AND ONE QUARTER PERCENT AND WOULD COST CONSUMERS AT LEAST TWO BILLION DOLLARS A YEAR. THE LIMITED SUBSIDIES I HAVE IN MIND TO STABILIZE THE COST OF LIVING DO NOT EVEN APPROACH THESE FIGURES.

MAR. 29

AND, WHAT IS MORE, IF WE WOULD HAVE TAKEN THE WAGE INCREASE WOULD WE WOULD NOT HAVE STABILIZED THE COST OF LIVING EVEN AT THIS HIGHER LEVEL. RISING COSTS WOULD CONTINUE TO PRESS AGAINST THE PRICE WAGE LEVELS AND THESE WOULD BE FORCED HIGHER STILL. RISING WAGES WOULD ADD TO THE EXCESS PURCHASING POWER, AND AN ENLARGED INFLATIONARY GAP MIGHT MAKE THE FISCAL TASK OF ABSORBING EXCESS PURCHASING POWER BY HIGHER TAXES AND ENFORCED SAVINGS UNMANAGEABLE. THOSE WITH SMALL FIXED INCOMES, WIDOWS AND OLD FOLKS WITH SMALL PENSIONS, THE WHITE-COLLAR AND UNORGANIZED WORKERS, THE SOLDIERS WIVES AND CHILDREN WITH SMALL DEPENDENCY ALLOWANCES, WOULD BE BOUND BELOW THE MARGIN OF FAIR SUBSISTENCE.

MAR. 30

I NEED NOT TELL THE CONGRESS THE DEVASTATION WHICH WILL BE BROUGHT, FOR FAR AND WIDE, ON THE FARMER, THE WORKER AND THE BUSINESS MAN, IF THE FIRES OF INFLATION EVER GET OUT OF CONTROL.

MAR. 31

I HAVE BEEN SPEAKING OF THE NEED OF SUBSIDIES TO STOP AND ROLL BACK RISING CONSUMERS COSTS IN ORDER TO AVOID FURTHER WAGE INCREASES WHICH WOULD ACCELERATE THE INFLATIONARY SPIRAL. WE HAVE FOR SOME TIME BY SUPPORT PROGRAMS AND BENEFIT PAYMENTS PROVIDED INDUCEMENTS TO GET THE WAR CROPS WE NEED. WE SHALL HAVE TO CONTINUE TO USE SUPPORT PRICES AND INCENTIVE PAYMENTS TO SECURE IN REQUISITE VOLUME THE NEEDED WAR CROPS. BUT IF WE WANT TO AVOID INFLATION WE MUST SEE THAT THESE RISING COSTS ARE NOT PASSED ON TO THE CONSUMERS. FOR IF CONSUMERS FOOD PRICES ARE NOT ROLLED BACK AND MAINTAINED AT THE LOWER LEVEL, WE SHALL NOT BE ABLE TO HOLD THE WAGELINE, AND IF THE WAGE LINE IS NOT HELD, THE SUPPORT PRICES AND INCENTIVE PAYMENTS WHICH WE MAKE TO PRODUCERS WILL BE NULLIFIED BY THE INFLATION OF ALL PRICES AND ALL COSTS.

MAR. 32

WE MUST PAY ENOUGH TO PRODUCERS TO GET THE WAR PRODUCTION. BUT WE MUST GET THE NECESSITIES OF LIFE TO CONSUMERS AT PRICES LOW ENOUGH TO AVOID INFLATION.

THOSE IN COMMAND OF OUR WAR ECONOMY LIKE THOSE IN COMMAND OF OUR ARMIES MUST BE ENDOWED WITH ADEQUATE AUTHORITY TO MEET EMERGENCYCXXX EMERGENCY SITUATIONS AS THEY ARISE. SUBSIDY PROGRAMS WILL BE UNDERTAKEN ONLY WITH THE APPROVAL OF THE DIRECTOR OF ECONOMIC STABILIZATION AND HE WILL SUBMIT TO THE CONGRESS QUARTERLY REPORTS ON SUBSIDIES PAID IN SUPPORT OF THE STABILIZATION PROGRAM.

## PAR. 34

I APPEAL TO THE CONGRESS, AXXX I APPEAL TO THE PEOPLE TO PULL TOGETHER AS A TEAM TO STABILIZE THE COST OF LIVING. WITH THE COST OF LIVING IN PROCESS OF BEING STABILIZED ON A FIRM FOUNDATION, WE MUST PROCEED TO MOP UP AND STORE UP BY TAX ACTION AND ENFORCED SAVINGS THE EXCESS PURCHASING POWER IN THE MARKET WHICH OXXX CONSTANTLY THREATENS TO UNDERMINE THAT FOUNDATION.

## PAR. 35

DESPITE THE LOSS OF LIFE AND OF TREASURE WE CAN COME OUT OF THIS WAR WITH OUR ECONOMY IN WORKING ORDER. WE WILL HAVEPXXX PLANTS AND TECHNICAL KNOWLEDGE AND TRAINED SKILL SUCH AS WE HAVE NEVER BEFORE POSSESSED. WE WILL BE ABLE TO ACHIEVE A HIGHER STANDARD OF LIVING THAN THAT EVER BEFORE IF ONLY WE DO NOT LET OUR ECONOMY GET OUT OF GEAR, IF ONLY WE AVOID THE DANGERS OF WARTIME INFLATION. WE MUST AVOID THESE DANGERS IF WE ARE TO PLAY OUR PART IN THE POSTWAR RECONSTRUCTION ANDTO ACHIEVE A LASTING AND DURABLE PEACE. WE MUST NOT THROW AWAY THE FRUITS OF VICTORY.

IT HAS BEEN SUGGESTED THAT THE FOLLOWING BE ADDED AT THE BOTTOM OF PAGE 4 LAST PARAGRAPH OF PAGE 2 OF THIS DRATXX DRAFT.

I RECOMMEND ALSO A VERY SUBSTANTIAL EXPANSION AND IMPROVEMENT OF OUR SOCIAL SECURITY PROGRAM. OUR ECONOMY CAN AFFORD HIGHER CONTRIBUTIONS FOR SOCIAL INSURANEXXX INSURANCE. IT WILL HELP HELP IN THE FIGHT AGAINST INFLATION NOW, AND IT WILL HELP ALSO TO PROTECT MILLIONS OF OUR WORKERS IN THE POSTWAR PERIOD.

JUNE 11, 1943

ARE YOU ALREADY TO TAKE THE CORRECTIONS IN THE LONG TT NOW

YES SA

WANT I AM SORRY THAT THERE ARE SO MANY. AS YOU HAVE GUESSED  
I AM A NEW OPERATOR.

11 IT IN THE LETTER SIGNED BY D W B

PAR. 1 SHOULD NOT BE DOUBLE SPACED.

PAR. 2 : LINE 4 SHOULD REEX READ - IT ON MONDAY ETC.

PAR. 3 OF THE LETTER READS AS FOLLOWS - YOU WILL ALSO NOTE THAT IN  
PARAGRAPH 16 COMPULSORY SAVING IS BROUGHT INTO THE PICTURE, AND AGAIN  
IN PARAGXXXX PAA PARAGRAPH 34.

WAL REQUESTED REPETITION OF PARAGRAPH 21. HERE THAT IS -

WHATEVER THEORETICAL CHOICES MAY CONCEIVABLY BE OPEN TO US, P  
RACTICALLY WE WILL HAVE ONLY TWO. WE MUST ROLL BACK THE COST OF LIVING  
WE WILL BE FORCED TO ALLOW WAGES TO RISE. IF WAGES RISE THE COST OF  
LIVING WILL NOT STAND WHERE IT IS; IT WILL GO UP AND THE INFLATIONARY  
SPIRAL WILL GAIN STRENGTH.

AS AFTER IS IN THE NEXT TO THE LAST LINE THEY USE A SEMI COLON, BUT  
THEY DO NOT HAVE IT.

DO YOU THE CORRECTIONS IN THE SPEECH.

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ARE YOU READY OR IS THERE SOME QUESTION ABOUT THE LETTER

SA  
BY QUESTIONS GO AHEAD WITH CORRECTIONS

PAR. 1

PAR. 4 LINE 4 LAST WORD IS RATES.

PAR. 4 LINE 3 BRIDGED BY LINE 8 COM-O IS OUT

PAR. 7 LINE 3 BEARING IN FORM OF TAXES AND ENFORCED SAVINGS ABOUT

PAR. 10 LINE 1 OUR FAILURE TO PYXX PAY MORE ET C

PAR. 11 LINE 1 LAST WORD SHOULD BE OUT

PAR. 12 LINE 1 LAST THREE WORDS ARE A LONG TIME  
LINE 4 THE EXECUTIVE BRANCH

PAR 13 LINE 3 TAKE OUT WAR-58

PAR 14 LINE 1 LAST WORD IS CANCELLATION

PAR 15 LINE 4 WORD AFTER INCONSISTENT IS WITH

PAR 16 LINE 4 ONLY A COMMA SHOULD BE AFTER WORD HARDSHIP

PAR 18 LINE 4 SINCE SEPTEMBER 15

PAR 25 LINE 5 LAST WORD IS WERE  
KU LINE 7 WORD AFTER PRICE IS THIRD

PAR 27 LINE 5 NECESSAY NECESSARY TO STAIR XXXX  
LINE 8 NECESSARY TO STABILIZE

PAR 28 LINE 5 THE FIGURE WRITEN OUT IS TWO AND ONE QUARTER BILLION  
DOLLARS

PAR 26 LINE 9 TAKE THE WORD A AFTER INCREASED  
LINE 11 TAKE OUT LAST WORD "3 LEFT"

PAR 29 LINE 5 WORD AFTER EXCESS IS PURCHASING  
LINE 10 FIRST WORD IS SHALL

THE PARAGRAPH TO BE ADDED SHOULD BE AFTER PARAGRAPH 15

OK GA

PAR.27  
PLEASE REPEAT QUOTATION CONTAINED IN THIS PARAGRAPH

GA  
MOH PLS

"SO FAR AS PRACTICAL BE ON THE BASIS OF THE LEVELS WHICH EXISTED ON  
SEPTEMBER 15."

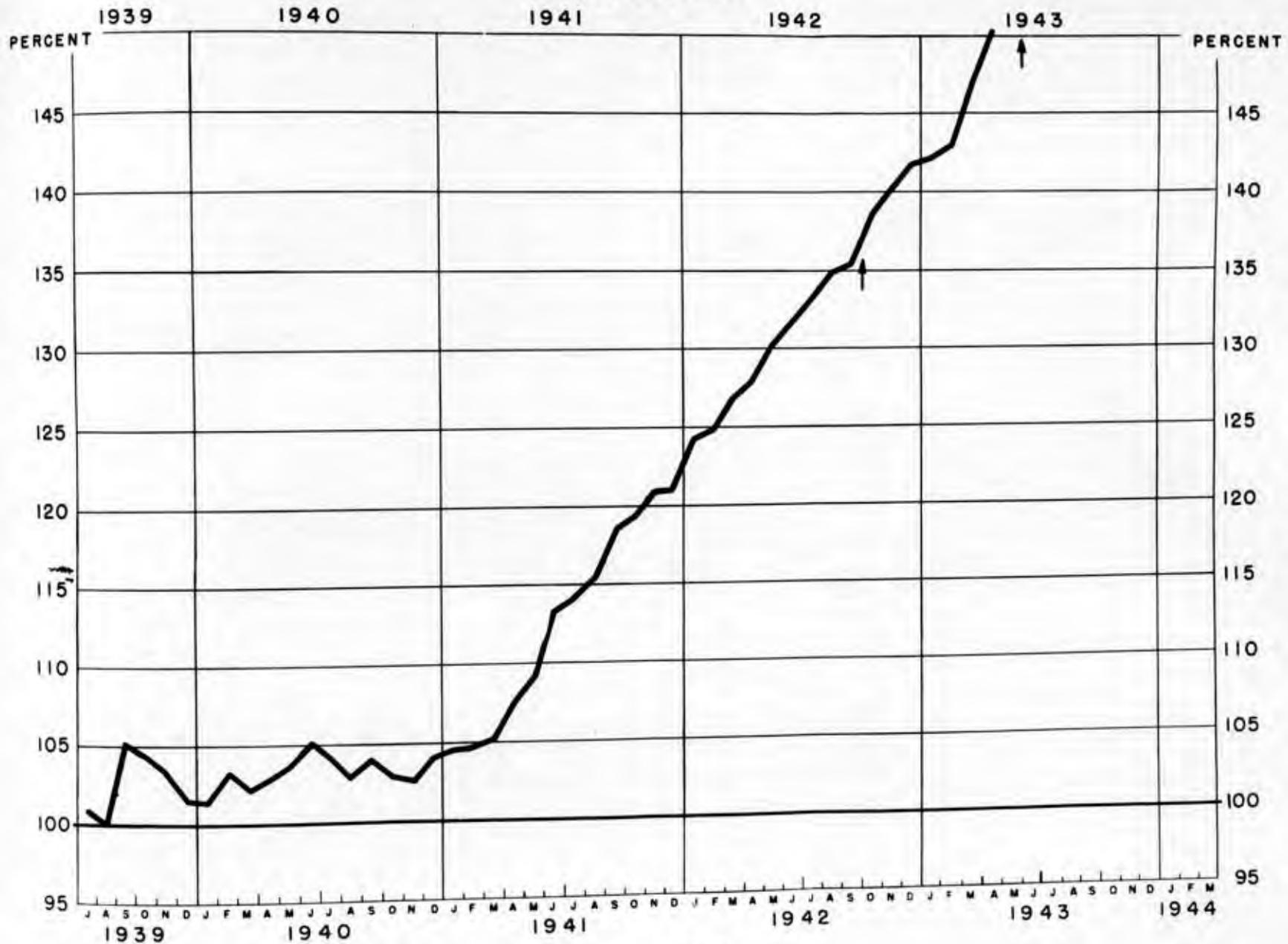
IT DOES NOT SOUND JUST RIGHT, BUT THAT SEEMS TO BE IT.

OK END OR GA KETTL  
WILSON END

8/12/43

# RETAIL FOOD PRICES

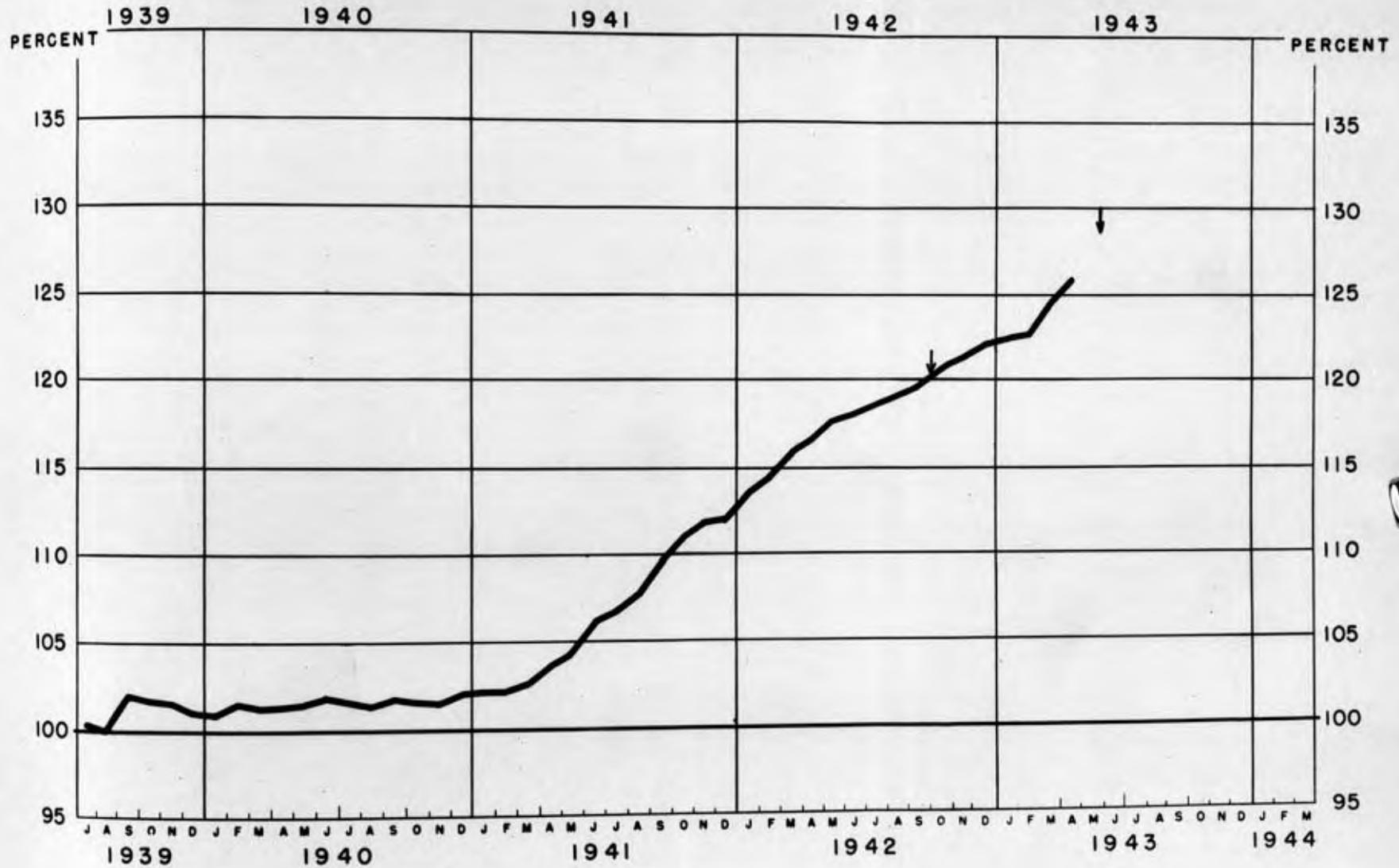
August 1939=100



Source: B.L.S.

# COST OF LIVING

August 1939=100



Source: B.L.S.

# WHOLESALE FOOD PRICES

August 1939=100



Source: B.L.S.

OFFICE  
OF TREASURY

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DEPARTMENT  
OF TREASURY

NOT TO BE RETRANSMITTED

SECRET  
U.S. SECRET  
1943 JUL 12COPY NO. 13OPTEL NO. 191

Information received up to 7 A.M. 12th June 1943.

(1) Pantelleria

Assault Convoys carrying first British Infantry Division left Sfax and Sousse during the night 10/11 and a covering force of 4 Cruisers and 8 Destroyers sailed from Malta to bombard. The first flight of Assault Craft was eight miles off Pantelleria 10.30 A.M. 11th and by 1137 A.M. landing was taking place as planned. Meanwhile White Flags were seen ashore and a white Cross on the Aerodrome but this was too late to stop a heavy Air Attack taking place. At 1219 P.M. a wireless message was received by Malta 'Beg to surrender through lack of water, Admiral Paress.' By 1.30 P.M., G.O.C. First Division had landed and bombing was stopped. Landing of Troops and Stores continued. About 500 Prisoners captured including 9 Officers. Estimated 21000 persons on the island. There has been no water or food in Pantelleria Town for 3 days.

(2) AIR OPERATIONSWestern Front

11th. Ten Ventures bombed Zeebrugge Coke Ovens. Fighters carried out Sweeps over Northern France. Enemy casualties 3.0.1. ours 1 missing. Mosquitoes destroyed one JU 88 and damaged 3 others and a Trawler in the Bay of Biscay. Out of 252 U.S. Fortresses sent out, 169 bombed Wilhelmshaven and 48 attacked other objectives in N.W. Germany dropping a total of 484 tons. Results estimated "Fair to Good". Eight Fortresses missing.

11th/12th. 902 Aircraft despatched. Dusseldorf 783 (38 missing), Munster 72 (5 missing), Duisburg 3, Cologne 2, Leaflets 23 (one missing), Intruders 17, Anti Shipping two. Preliminary reports indicate that the attacks on Dusseldorf and Munster were very successful.

Pantelleria

On 9th and 10th 1737 tons were dropped on the Island. Enemy casualties in the air 16.5.7. Ours nil.

DEPARTMENT  
OF TREASURY

Regraded Unclassified

BRITISH MOST SECRETU.S. SECRETCPTTEL NO. 194

Following is supplementary resume of operational events covering the period 5th - 12th June, 1943.

1. NAVAL

GRAF ZEPPELIN may have begun trials in GDYNIA BAY.

MEDITERRANEAN. H.M. and Allied Submarines scored torpedo hits on 3 large tankers, probably hit 7,000 ton merchantman, sank one 2,750 ton ship and wrecked another of 1,250 tons. Extensive repairs to masonry in No. 5 dock MALTA have been carried out successfully. Main units of Italian Fleet now disposed as follows:-

SPEZIA: 3 LITTORIO Battleships, one light Cruiser.

TARANTO: 2 CAVOUR Battleships, 2 light Cruisers.

GENOA: 2 light Cruisers.

In addition 39 Destroyers, 57 Torpedo Boats and about 70 Submarines are effective. Two 30,000 ton liners and possibly one Regolo Cruisers are being converted to aircraft Carriers. Some M.T.B.'s escort vessels and Barges which came down DANUBE are now operating in BLACK SEA but low water has held up several medium sized ships at RATISBON.

Submarine Warfare. Week ending 9th, in all theatres 34 attacks on U-boats of which 20 by aircraft. 5 promising attacks by aircraft, one by U.S. Cutter. Operations by home-based aircraft of Coastal Command were hampered by persistent rain, low cloud and sea fog over the Eastern ATLANTIC. In such poor visibility only 3 U-boats were sighted but all were attacked (one with a new weapon) with very promising results. ICELAND and GIBRALTAR based aircraft of Coastal Command enjoyed better weather but so shy were U-boats of the surface that only 9 were sighted and 5 attacked. In all 494 Sorties were flown, involving 4,362 flying hours on Anti-submarine sweeps and Convoy escorts. Concurrently with general increase in A/A armament of German Submarines a limited number are reported converting A.A. escort U-boats and having replaced present 80 m.m. gun by a quadruple 20 m.m. gun forward.

Shipping Casualties. During the week 5th to 11th, only 2 ships were sunk by Submarines, a British Ship off MOZAMBIQUE and U.S. Ship south-east of DURBAN. Belated reports were also received of the sinking of 2 British ships in the northwest approaches in April and May. The 2 U.S. Ships and the Panamanian tanker torpedoed in convoy off BRAZIL have all arrived in port and the British ship, bombed and submerged in the River WEAR has been refloated. Losses during May at 266,000 tons recorded to date, were considerably below the average. Submarines accounted for 245,000 tons of total which included 9 Tankers aggregating 63,000 tons. Only one ship was sunk by Submarine in the MEDITERRANEAN. No ship known sunk in North ATLANTIC since May 17th, though about 40 U-Boats are estimated still operating there.

Trade. During the week 193 Ships in 5 Ocean convoys arrived in Home Waters without loss. Imports in convoy into United Kingdom week ending 5th: 1,837,000 tons including 628,000 oil. French 7,300 ton Tanker flying German flag passed through DARDANELLES 6th for CONSTANZA. From 1st - 15th May 37 Enemy ships totalling 51,398 tons were sunk, captured or became total loss, of these 31,635 tons in MEDITERRANEAN.

2. MILITARY

MEDITERRANEAN. Disposition Axis Forces:- ITALY, SICILY and SARDINIA. German. Reinforcements destined for TUNISIA have remained in ITALY and the Islands. Further reinforcements are believed to have been sent since fall of TUNISIA. Italian. 18 First Line Divisions (compared with 15 on 1st January, 1943). BALKANS. German. Equivalent of 14 Divisions, including one G.A.F. Field Division, (compared with total of 9 on 1st January, 1943), tendency to reinforce GREECE and DODECANESE. Italian. 31 First Line Divisions (33 on 1st January, 1943) FAR EAST. BURMA. Monsoon has broken out, patrol activity only. ARAKAN FRONT. Japanese now believed to have 3 battalions on MAUNGDAW-BUTHIDAUNG line, 4 Battalions North of AKYAB ISLAND, 3 Battalions in AKYAB.

3. AIR OPERATIONS

WESTERN FRONT. Night. Except for one heavy attack on DUSSELDORF bad weather restricted operations to small scale Sea-mining, Intruder, Anti-air ping and Leaflet tasks. 47 Aircraft missing from 927 Sorties.

ITALY. Attacks on harbours NAPLES, SPEZIA and airfields.

SICILY. Airfields and Ferry Termini bombed.

PANTELLERIA. Very heavy bombing offensive prior to and in support of our landing operations.

RUSSIA. Russian Air Force continued to give strong support to their land forces in the KUBAN and indirectly helped their operations by attacking German sea supply routes. A series of heavy raids on German airfields in LISICHANSK area and also on Railway Centres KIEV, ROSLAVL and UNECHA. Chief German activity was by long-range bombers. Total of 500 Sorties against KURSK probably aimed at Russian concentrations, GORKI raided on three successive nights.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF ALLIED AIR ATTACKS

HUPPERTAL. Fires were still raging at noon on day after attack and were only brought under control with help of neighbouring brigades. Efficiency of Civil Defences hampered by absence in country of the higher officials. Besides usual extra rations over a million tins of fish rushed to district.

DORTMUND. Water supply completely disorganised and canal level considerably exceeds all previous records. Bursting of dams described as greatest disaster in 100 years.

BORDEAUX. Later photographs confirm important damage to MATFORD Aero-Engine Works, GOBAIN Chemical Works and main gare ST. LOUIS.

5. HOME SECURITY.

Estimate civilian casualties week ending 9th: Killed - 14, Seriously wounded - 47.

TREASURY DEPARTMENT

JUN 16 PM 12 10 1943

OFFICE  
SECRETARY OF TREASURY

OFFICE OF THE SECRETARY OF THE TREASURY  
BRITISH MOST SECRET  
U.S. SECRET  
OPTEL NO. 192  
DEPARTMENT OF CASUALTY

NOT TO BE RE-TRANSMITTED

COPY NO. 13

Information received up to 7 a.m. 13th June, 1943.

1. Occupation of PANTELLERIA by units of British First Infantry Division is proceeding satisfactorily. So far about 2,800 prisoners have been embarked and it is estimated that 12,000 more await evacuation. Between 3rd and 10th, 3,085 Sorties were flown against the island by Allied aircraft and 3,516 tons of bombs dropped. The weight of the attack was then turned against LAMPEDUSA. After a sea and air bombardment lasting 24 hours, the island surrendered on 12th evening and detachments of Coldstream Guards began occupation. Garrison believed to have numbered about 3,000.

2. AIR OPERATIONS

WESTERN FRONT. 11th/12th. DUSELDORF. 1968 tons dropped including 10 8,000-pound, 288 4,000-pound and 100 2,000-pound H.E. bombs in just over one hour. Visibility good but some haze and heavy clouds of smoke later on hindered observation of results. Marker bombs well placed resulting in concentrated attack. Many fires with smoke to 17,000 feet and some large explosions reported. Moderate ground defences appeared overwhelmed. Fighters active on route both ways. MUNSTER. 172 tons dropped in 9 minutes. Weather cloudless good visibility. Bombs well placed in centre of build-up area, some search-lights, very little A/A. Photographs 9 a.m. 12th show fires still burning and considerable industrial damage including gas works and both passenger and goods stations. 123 R.C.A.F., 61 R.A.A.F. and 16 New Zealand aircraft took part in night's operations. 10 Canadian, 5 Australian and 1 New Zealand missing. 12th. Escorted light, medium and fighter bombers attacked respectively a power station at ROUEN, CAEN, and ABBEVILLE airfields. 12th/13th. Aircraft despatched BOCHUM - 500 (24 missing), Sea mining - 34, Intruders - 19. Preliminary reports BOCHUM indicate successful attack. 36 enemy aircraft operated against this country of which 30 including 20 minelayers were in the Plymouth area and 6 over KENT and EAST LONDON. Enemy casualties by night fighters - 3, 0, 2.

ITALY. 10th/11th. Heavy bombers dropped 31 tons on REGGIO airfield destroying a hangar.

SICILY. 11th. Escorted Spitfires bombed POZZALLO and on 12th MARZAMEMI.

MEDITERRANEAN. 11th. Long range fighters damaged 3 enemy vessels off Western GREECE.

3. HOME SECURITY

12th/13th. PLYMOUTH. Several fires but all soon under control. Utility and transport services affected and a B.B.C. transmitter hit. A gas holder and Coates' Distillery burned out.

LONDON. Some damage and a few casualties in Eastern suburbs.

June 14, 1943  
5:10 p.m.

FOOD PRICES

Present: Mr. Bell  
Mr. White  
Mr. Sullivan  
Mr. Haas  
Mr. O'Connell  
Mr. Blough

H.M.JR: I had a suggestion, but I think it will take a lot of time to do this. Who is Acting Counsel when Paul is not here, O'Connell?

MR. BELL: Joe O'Connell, I guess.

H.M.JR: The suggestion is this - it will take me a couple of minutes to make a little speech - we started in 1933 to build an economy in order to raise prices. We did it year after year. George started in Farm Credit and knows about it. We watched it build, and we superimposed each of these laws, never taking away any of the things, and we still have a lot of things left, all of which are there to increase prices.

Now I am talking about food and things like that to see if we can't attempt to draft a bill - I don't care if the President throws it in the wastepaper basket - which would completely disentangle all this legislation that involves the cost of production. For instance, we still have four hundreds on three-eighths. As far as I know they still pay me to put some fertilizer around my trees.

(Mr. O'Connell entered the conference.)

H.M.JR: They still pay a fellow - I think we are still limited on what we can grow.

I'd like to see all of this legislation put on the table - all the legislation after '33 which had to do with increased farm prices. The idea is to try to disentangle all of this stuff, you see, and after you have disentangled it - what do they call it, this one hundred and ten percent?

MR. BELL: Parity.

H.M.JR: All of these things - and every way the President moves his hands are tied. How many are there - there are about seventeen articles which you can't control the cost of - the price of. You never could control lamb and chicken. There are seventeen different articles there. You always give me two different charts--

MR. HAAS: They are the ones that had no regulation at all. The list is getting smaller and smaller.

H.M.JR: There are still some you can't regulate.

MR. HAAS: I think you can under present legislation. They are going to look that up, but they haven't done it.

H.M.JR: You have to start with '33 - with the first laws. You have to see which of them are still there. Why can't, for instance, the President sell wheat? And there are all the limitations on cotton - the RFC - this whole business, you see.

Now, maybe it is all done, but I doubt it. And the thing - then we get, "What the hell are you going to do with it?" Let's say, just for argument's sake, the President can say to Congress, "Here is an anonymous bill. I want these things struck off the books. This was put on to raise prices. Now I want to increase production and bring prices under control. In order to do this I have to start new; I have to wipe this all off." If he could do that thing, you see, instead of his sending a bill to roll back - I believe that he could simply say, "Well, pork chops cost seventy-five cents a pound. Effective fifty days from now they are going to cost fifty cents a pound." He could just do it by getting that authority from Congress.

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Every time he moves now he has these terrific barriers to overcome because there is this old legislation on the books. Whenever he moves now he is always running into something else, something which stops him, and I'd like to see this whole study made just as quickly as possible. Let's say we can get an anonymous bill and wipe the slate clean. "It has served its purpose. This is what I need to bring the prices back to half way where they were in September '40." I don't know what point they want to go back to. They can't do it now, and I don't think necessarily he needs two billion dollars to do it. He might need five - I don't know, but the point is, every time he moves he puts another set of legislation on the books and he doesn't wipe off what is on there. I think you will find that there is an enormous amount of stuff there.

Then if the President at all thought well of this thing, instead of him just sending up cold his memorandum to Congress as to other things which he does - we have never paid any attention to the consumer in this country, we just take it for granted he is on the stand - he sets up a hold-the-line bill, and he knows everybody is going to follow.

Each Senator is protecting the legislation which he passed five years ago or nine years ago. Senator Bankhead might say, "That is my legislation, I have to see that it is protected." You put so much cotton in the warehouses, and the warehouses in his district get the business.

But if the President went and took one month or two months and said to OWI, Jimmy Byrnes, and everybody, "I want a barrage like we had at Pantelleria for twenty days; I want a barrage for sixty days on the consumer, and then after sixty days I will suggest my recommendation" - but just to send this thing up - another two billion dollars on this house of straw - is crazy, I think.

MR. BELL: What you would like to do, I think, is start all over, repeal some of these laws that are now on the book, and if necessary, pay a subsidy to the farmer because you are rolling back prices on corn, wheat, and so forth. Instead of paying it through three ways, you pay a subsidy on everything.

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H.M.JR: Out of the one pocket you would pay a farmer not to raise corn, and out of the other pocket you pay him to raise it.

MR. BELL: I don't think it is quite that way. You pay him so much for having a variety of crops and fertilizing his land, but he could use that four hundred million dollars for some other purpose.

H.M.JR: Now there is thirty-two or thirty-three percent that comes out of Customs to the farmers. There are a hundred odd different laws that have been passed. You could put on the barrage for thirty days and do what Herbert Hoover tried to do in the last war for the consumer.

MR. SULLIVAN: That's not what he tried to do; that's what he did.

H.M.JR: Now the President will say sixty times sixty every day. "Now I want this stuff off, and then I need so much money to bring pork chops back to where they were - half way back." Then do it in a clean-cut way, do it through Jesse Jones, or this, or that. I think he has a good chance of doing it.

This way every Senator is defending his pet legislation that he got through in the last ten years.

MR. BELL: No doubt about that.

H.M.JR: But if you go on the whole thing, cut everything out, wipe the slate clean, and start all over again, put the money where he needs to put it on whatever plan is decided is the best plan - when you look at this chart of using 1939 as one hundred and see what has happened to the cost of living, it is just sickening. I showed it to Judge Rosenman, and he wouldn't believe it. He said it was the damndest thing he had ever seen. He had no conception that this thing was as bad as that.

MR. SULLIVAN: He doesn't do any shopping himself. (Laughter)

H.M.JR: I know I am repeating myself--

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MR. SULLIVAN: I think it is going to be very interesting anyway to just see how much underbrush there is there.

H.M.JR: I'll tell you what I would like to do in order to help you: I'd like - if it is agreeable to you - to borrow Captain Kades to help on this thing.

MR. O'CONNELL: It will be agreeable to me.

MR. WHITE: Call him after you talk to Eddie Greenbaum.

H.M.JR: All right.

What do you people think, Dan? What do you think of somebody taking inventory of all this legislation?

MR. BELL: I think it is very good. I don't think we will get very far in taking these things off the books.

MR. SULLIVAN: I think they are integrated too much with other things like labor laws, but it is going to be helpful to see how much deadwood is lying around there.

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

MR. WHITE: I agree with John, that it would be very interesting to get a look at it. As you say, there probably has been a picture of those rules. I think it should be done, but I am a little bit dubious about your next step. Let's suppose you could wipe out all that kind of legislation. Some of it would result, I suppose, in an immediate decline of prices on some commodities.

Your second thought was that the President should say pork chops should be fifty cents. Are you suggesting that the President pick a number of commodities - whatever they were he would select them on the basis of their importance to living - and fix the price for them?

H.M.JR: My thought is this: first let's take inventory and see what we would have to do to get rid of the underbrush. One group would be doing that - it is a legal problem. If both groups would say, "We can't get

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those laws wiped off the slate," what would be the most intelligent law to get those prices down? Now you can't move here, you can't move here, and you can't move here (indicating). It is somewhat like when the President tried to move sometime ago. His hands are tied.

Instead of saying it can't be done, let's be young once more and say the things are off the books. Let's see what can be done.

MR. WHITE: I agree with the first question.

(The Secretary held a telephone conversation with Colonel Greenbaum.)

H.M.JR: Well, there certainly could be no harm in trying this.

MR. O'CONNELL: Not at all. I don't know where we would go from the first step, but--

H.M.JR: We will start back to March 20, 1933, and then go through. Everything was done to build up prices. We've done a pretty good job. We've done everything to build them up, but we haven't done anything to stop it. You will find that most of the stuff is wonderful. I'd like them to go on the assumption that there is a chance of the President going to town on two fronts, one, to get rid of those restrictions, and two, having gotten rid of them this is what he would do if he could start all over.

MR. BLOUGH: I think it is very good. I would like to suggest a further step, and that is this, it may have already been done, the analysis of the increase in the cost of food and the amount which represents the increases to the producer, and the amount that represents leakages or margins along the way - higher wages, margins of profit, and so on - distribution costs - to see how much you would reduce the total cost of food or the final cost of food if you were able to make certain reductions at this earlier stage.

In other words, if you wipe out these restrictions and then start pushing down the prices at the producer's

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end, what result do you have at the consumer's end? Would you have in between higher wages, higher distribution costs, and so on?

H.M.JR: Don't forget the President's Little Steel Formula, supposedly still in existence, his attempt, which can't be more than a month or two old, to hold the line - that is still in existence.

I know what I am doing sounds fantastic, but I think it needs just some original thinking - if it doesn't sound too conceited - to instead of saying we have started this thing--

MR. BLOUGH: But it seems to me the thing to do is to use it intelligently after you get it to see where it fits in.

H.M.JR: I agree with you. Let me say that the farmer - I think you will find that when you get to parity prices everything is over one hundred and ten percent.

MR. BLOUGH: The average price is one hundred fifteen.

H.M.JR: The Administration has hung around its neck this parity business, but the parity thing is way, way above. I mean, it is an albatross around its neck, and I think this is an original fresh way to attack it, don't you, Harry?

MR. WHITE: Your analogy is good. You have built a stone wall in order to push up the floor on prices which was a necessary thing to do in the last ten years. In order to discover if that is what is holding the floor up you have to remove those bricks and see what is holding it. Then you are in a position to see whether you can push it down or whether it can fall down. Nobody has attempted to remove those bricks.

H.M.JR: Sometimes you use bricks. Sometimes you use stone. Sometimes you use steel.

MR. WHITE: A varied base, it is true.

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H.M.JR: You start with the farmer - maybe you will come to the thing that the Farm Bureau has never agreed on, cost of production to the farmer, the thing the Farm Bureau has always fought.

MR. WHITE: I think we are apt to find that other supports have come in in the meantime and are keeping it above the level, namely, the fact that the supply is short and the demand is great. You use that floor to build it up. I don't know whether it supports it, but the only way to find out is to find out.

I think when you get in - we need all this stuff for when the war is over to keep these prices up.

MR. BELL: There will be all kinds of reasons maybe that you shouldn't appeal it.

H.M.JR: My analogy is that you have to soften this thing with a barrage.

I am having lunch with the President tomorrow. Could you have half a dozen fantastic examples - take a third of it - some of the things on the books like the third of Customs receipts - what they are used for - give me half a dozen fantastic examples.

MR. O'CONNELL: That will be possible.

MR. BELL: Surplus commodity.

MR. BLOUGH: We have a three-way criterion of one hundred ten parity.

MR. WHITE: Suppose that were removed, George, would it fall?

MR. HAAS: No. There is nothing resting on the floor now. They are nearer what you would call a support price, but I think it would be an interesting thing to find out, because many of the devices you want to use - you are completely tied up in a measure. You can't do this, you can't do that.

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MR. BELL: Why are hog prices going down, George?

MR. HAAS: The farmers held them back.

H.M.JR: There is a ceiling on the price of corn.

MR. BELL: Corn hasn't been planted yet in the west.

H.M.JR: Anybody who didn't have an animal on his farm prior to June 1942 can't buy any more feed. Every person around has a couple of chickens or a couple of hogs, and you are attacking a couple million people.

MR. SULLIVAN: There are all kinds of people who bought little pigs and put them out on a farm. That's just plain darned nonsense.

H.M.JR: They got out regulations for every feed dealer, and if you didn't have an animal on your place prior to June 1, 1942, you can't buy any feed.

MR. WHITE: But the rationing is in proportion to the animals you had, isn't it?

H.M.JR: If you had one chicken you can get feed for one chicken. Supposing I have fifty chickens now and I had one chicken then, I can't get feed for my fifty chickens.

MR. BELL: How do you stimulate production under that regulation.

H.M.JR: And there was no public announcement, no explanation. Nobody understands it, but everybody is angry.

MR. BLOUGH: Are they so short of feed?

MR. HAAS: They are very short of feed.

MR. WHITE: It is probably just a mistake.

H.M.JR: The man who called me up always handles feed for the cooperative. He called me up and wanted to know

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what he should do. I told him I didn't know.

MR. WHITE: Maybe they want to stimulate the killing of fowl and animals.

MR. BLOUGH: This is going to be definitely hard on Harold Smith if they are going to ration feed down there. He just bought a farm in Virginia which has been a cattle farm. He is making it into a sheep farm. They sold the cattle off. He bought sheep this spring, and he also bought some hogs. What are you going to do?

My brother has a farm that he is stocking up with livestock in order to increase production. He didn't have hogs in '42. Now he has hogs.

H.M. JR: Now if this is correct, Harold Smith can't get any feed.

(The Secretary held a telephone conversation with Chester Davis as follows:)

June 14, 1943  
5:34 p. m.

Operator: Chester Davis.

HMJr: Hello. Chester.

Chester Davis: Hello, Henry.

HMJr: This is Farmer Morgenthau calling you up.

D: All right. This is Banker Davis. How are you?

HMJr: (Laughs) Well, now listen, Banker.

D: Yeah.

HMJr: When you get through you may - this is what happened to me up on the farm Saturday, see?

D: All - they were calling you about feed and corn, weren't they?

HMJr: As of June first '42.

D: Yeah.

HMJr: Do you know that one?

D: Go ahead.

HMJr: Well, I - I - my farmer - my dairyman who works for me is an agent for the Co-op in our state, you see?

D: Yeah.

HMJr: And he said that the regulation came through that unless you had so many hogs and so many sheep on your farm as of June 1st, '42, any increase since then, or let's say you didn't have any - you had one pig and five chickens, you can't buy any more feed for them. That they are going to have a ration book for feed dealers.

D: Well, that must be from the Co-op itself.

- 2 -

HMJr: Nope. Was there any such thing from you?

D: Nope. The Co-op did ration - the G.L.F. has rationed....

HMJr: The G.L.F.? Yes.

D: The G.L.F. has rationed its supplies - in this way - they have cut down their commitment to deliver. As I understand it, they have cut it down 37%; that is, they are cutting it down to 63% of the previous quantity. There is no such rationing program in effect or proposed here.

HMJr: Well, you see they are spreading it all over that it's the Federal Government.

D: I'll bet they are, because, of course, there is a milder - not even a mild panic on up there about the feed situation.

HMJr: Well, he called me up and said, "What should I do?" and McConnell - is that his name?....

D: Jim McConnell, yeah.

HMJr: ....told us to wire our senators and our congressmen. So I said - the man's name who is its agent - works - he's my - is Hoose - H-o-o-s-e. So I said, "Well, Hoose, I can't advise you 'cause I don't know. You'd better find out who was giving out such an order." He said, "Well, there's ration books and they are going to tear out - it goes back to June 1st, '42.

D: Well, that would be something. But I'll tell you what you do. You tell Hoose to tell Jim McConnell to call me up and tell me about it, will you?

HMJr: I'll do that tonight.

D: Yeah. Because Jim calls me on nearly everything else. I'd think he'd call me about that.

HMJr: I see. Well, there are no such....

D: No.

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- HMJr: Well, I could go to whoever else sells feed or my neighbor who has one pig could do it.
- D: If they've got feed, you can buy it. Now here's our problem, of course. We are just trying desperately to get shipping facilities so we can move Canadian grain down in there and we are also trying to break this impasse on corn which has been preventing corn from flowing into the deficit areas. You see, the farmers out there know corn is worth a dollar-and-a-quarter maybe, feeding hogs, and even though the price of hogs has gone off pretty nearly \$2.00 a hundred in the last sixty days, they still are worth more than the ceiling price. And they've had a flood of late here and I think they're sitting on the corn.
- HMJr: Well, now, can I - let me switch - I was kidding a little bit - now let me talk officially, see?
- D: Yes, sir.
- HMJr: And I'll tell you what we are planning to do here. And I think this ought to interest you.
- D: Yeah.
- HMJr: And if you know anybody who has done it already, tell us. I'm having my boys start with March 20th, 1933, and make a study of all the legislation which has been put on the books to increase farm prices.
- D: Yeah.
- HMJr: With the idea that possibly after we get it, see how one thing cuts across the other, the President might ask for an omnibus bill to have it all wiped off and then start fresh.
- D: Well, I don't think you ought to do it.
- HMJr: Why?
- D: Well, as a matter of fact, there are no restrictions in effect on production at the present time, and - your - what you're suffering from up there....
- HMJr: Oh! I'm not talking about the farm. I'm talking - here in the Treasury on the question of getting the roll back on prices.

- 4 -

- D: Yeah, but I mean how would repealing present agricultural legislation help you on that?
- HMJr: Well, we're going to do it and after we do it, if you'll sit down, we'll show it to you.
- D: Sure enough.
- HMJr: After all, it doesn't do any harm. As far as I know there has been no such inventory taken.
- D: Yeah.
- HMJr: And it's been a long time since I've seen it. I won't....
- D: Oh, that will be fine. Just what is the "end point"?
- HMJr: Well, the end point is this: they are trying to get the President, as you most likely know, to send up a message on "Roll back of prices."
- D: Yeah.
- HMJr: Well, every place he wants to move on prices, there is some legislation which restricts him.
- D: Well, about the only legislation that restricts him is in the Price Stabilization Act itself, Henry, where it fixes certain parity points and after all, I think the President ought to realize that we've got to deal with food and not statistics.
- HMJr: Well, I don't know whether you've seen the message which they have drafted for him on "Roll back."
- D: Well, I disapproved - I did see it and I disapproved most heartily of the last part of it. I don't know what you think about the first part.
- HMJr: Well, on the tax thing, of course, we disapproved.
- D: Yeah.
- HMJr: And I don't feel this is any time to send a message up on taxes and I don't think that the country is ready for a message from the President on roll back of prices.
- D: Well....

- 5 -

- D: I disapproved of that very heartily and I said so in a letter that has just gone over to Jimmy a little while ago.
- HMJr: I see. Well, we're together on both ends of this message.
- D: Yeah. I'm preaching against one end and you against the other.
- HMJr: Yeah. I mean I don't think the country is ready for a message from the President on either.
- D: I'm telling you that the indiscriminate talk and action on roll back subsidies, etc., is just raising hell with the agricultural field. Now I don't know whether we want food or just statistics.
- HMJr: Well. We want food, and indiscriminate talk on compulsory savings is raising hell with the volunteer plan.
- D: Well, I've talked about increased investment, but I have not used the term compulsory saving.
- HMJr: No, but I - well, you know the President did and then he corrected himself.
- D: Yeah. -
- HMJr: And he did it handsomely.
- D: Yeah.
- HMJr: Well, what I'm in favor of, is, cut the dog's tail off but don't do it by inches.
- D: Well, I'll tell you. Now that I've got you here, I'm just going to say this. I'm going to put it negative -- not what I'm in favor of -- I certainly am not in favor of sitting down here with a nominal authority on food and absolutely no actual authority at all.
- HMJr: I see.
- D: And it just isn't going to work.
- HMJr: Well, whenever....
- D: There are too many fellows....

HMJr: Well, look....

D: ....writing food policy and I hear about it when I read it in the paper.

HMJr: Well, I'm going to ask our boys to do something and when they have got it, if you've got the time I'd like to sit down and show it to you.

D: Yeah. I'd like to, but the things that look - the price roll back isn't a case of ordering and it isn't laws that are holding these prices up, but it's over in your field there is just too damn much money in the people's pockets.

HMJr: Yeah. Well....

D: You repeal some of that for us and we'll hold the prices.

HMJr: Well, I think as far as the people investing their money is concerned, I think they are doing handsomely.

D: Well, but they are talking comparing England with the United States on this subsidy thing....

HMJr: Yeah.

D: ....and when we've got money knocking around here and people are out clamoring for food of kinds and qualities they never were able to buy before.

HMJr: That's correct.

D: And the President is talking about having to raise wages, you see, and - unless he rolls back, when as a matter of fact, the average weekly pay envelope of the factory worker, since last September down to date has raised more than twice as much as the increase in the cost of living.

HMJr: Yeah.

D: I think that its a mistake to keep putting those things out on record. I hope he doesn't do it, myself.

HMJr: Well, we're together.

D: All right, Henry.

HMJr: I'll be seeing you soon, I hope.

D: 'Bye.

HMJr: Thank you.

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(Mr. White left the conference.)

H.M.JR: That was a frank talk.

MR. SULLIVAN: I should say so.

MR. BLOUGH: Harry said to tell you he had a conference in his office which he had to finish up.

MR. BELL: How much less does the Army pay for its supplies - food and stuff - than we pay?

H.M.JR: Less?

MR. O'CONNELL: What makes you think they pay any less?

MR. BELL: Oh, sure they do. They get pork and beef and everything else a good deal cheaper than you do.

H.M.JR: Are you talking about the Army Quartermaster or the fellow who lives in the Army?

MR. BELL: Quartermaster.

MR. BLOUGH: He doesn't pay black market prices for anything.

MR. O'CONNELL: They pay wholesale prices.

H.M.JR: He (Davis) says he reads about the things in the paper. That was the same thing Vinson said, "I am sick and tired of being a member of the Stabilization Committee and reading about it in the paper."

I think if we started going around town we could round up quite a few friends.

MR. HAAS: There is one question of rolling prices back and reducing, and there is another question of keeping them there. Davis really has a point there; there really is too much money.

H.M.JR: I read about it in a speech I almost made.  
(Laughter)

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 14, 1943

TO Secretary Morgenthau  
 FROM Mr. Haas  
 Subject: The Business Situation,  
 Week ending June 12, 1943.

Summary

Crop prospects: Crop prospects on June 1 were the poorest in three years, and little hope is given by the Department of Agriculture that this year's production of food and feed will attain last year's record levels. A substantial reduction in grain crops is indicated, the wheat forecast showing a crop 26 percent smaller than last year and 150 million bushels below the average for the past five years. Although the declining prospects for the grain crop may not affect production of livestock this year, decreased production in 1944 is likely.

Price control: To maintain existing ceiling prices of essential canned foods, subsidies to vegetable packers in compensation for pending wage increases and higher material costs were approved by the Director of Economic Stabilization last week. Regulations are being drafted to reduce prices on fresh vegetables, but this may merely take advantage of the normal summer decline.

Commodity prices: Although the unfavorable June crop report had a bullish effect on grain prices, hog prices declined substantially last week on heavier marketings, with the result that the BLS index of 28 basic commodities held practically unchanged. The squeeze on meat packers' margins has been alleviated by the decline in hog prices during the past two months.

Employment and payrolls: Factory employment declined slightly in April for the first time since January 1942. However, factory payrolls moved ahead to a new high 40 percent above last year's levels. Average weekly earnings of factory workers also continued to rise, and in April were 21 percent above the April 1942 average.

Stock prices: Industrial and railroad stock prices declined about 1 and 3 percent, respectively, last week on diminished trading activity. The strength in stock prices in recent months has been featured by the so-called "peace" stocks, which now stand in the strongest relative position since shortly before the invasion of Norway.

Crop prospects less favorable

Attention was focused on the nation's food supply last week by the release of the Department of Agriculture's June 1 crop report, which indicated that crop prospects at this time are the poorest in three years. Little hope was expressed that this year's production of food and feed would attain last year's record levels, much less the Government's goals of an increase of at least 5 percent. The most that can be expected, the report stated, is a total acreage nearly as large as that harvested last season, assuming good weather until harvest time, but yields per acre averaging as high as those secured last year are no longer within reach. The decline in crop prospects will accentuate the difficulties in controlling food prices.

In the important midwestern area wet weather and floods have retarded planting, with farm work reported to be several weeks late in some sections. The floods, which covered four million acres of crop land, have caused serious damage to crops, although farmers may be able to replant some of the same crops, providing there are no further delays in planting and no early frosts occur. On one-third of the flooded acreage different crops must be planted. Wet weather has also hindered farm work in the northeastern states. On the other hand, crop prospects in the Great Plains area and the Southwest have been reduced by drought conditions.

A substantial reduction in grain crops is indicated. Total wheat production is now forecast at 731 million bushels. This is 26 percent less than last year's crop, partly because of reduced acreage, and is 150 million bushels below the average for the past five years. Rye production is forecast at 34 million bushels, 41 percent below last year's crop and 12 percent less than the 1932-41 average. Oats and barley production are also estimated considerably below last year, but are substantially above the 1932-41 average. Although it is too early for the corn forecast, the report said that the corn crop was off to an abnormally late start, with probably 15 million acres (15 percent of the 1943 goal) still to be planted. Good growing weather will be needed to mature the late plantings of corn ahead of frost.

On the basis of June 1 conditions, deciduous fruit production may be 10 percent below 1942, but favorable conditions for citrus fruits partly offset this decrease, and total tonnage of all fruits probably will be only 5 percent

- 3 -

lower than last year. The peach crop was seriously damaged by the spring freezes, and the 45-million-bushel crop forecast is 32 percent below last year's crop and the lowest since 1932. A small pear crop is also in prospect.

To temper the rather pessimistic crop report, Food Administrator Davis issued a statement last week predicting that the total food production, including livestock, would probably match that of 1942 if at least average weather prevails and labor and supplies are adequate. Livestock production, which is up sharply from last year, will tend to offset the smaller crop production.

#### Feed shortage looms

The Department of Agriculture indicated last week that the present level of livestock production cannot be maintained, at least not beyond 1943, unless exceptionally good yields of feed grains are obtained. Present large stocks of grain are disappearing at a record rate, and it is expected that reserve stocks will be reduced to, if not below, safe working levels during the 1943-44 season.

Feed shortages are appearing in certain areas, but this is largely the result of price and transportation difficulties. Dairy and poultry farmers in New England were reported last week to be faced with a critical feed shortage. The recent heavy hog marketings in the Chicago market ~~has~~ been ascribed in part to difficulties producers are having in obtaining corn for feeding purposes.

To ease the feed situation, the CCC was granted authority by Congress last week to sell an additional 50 million bushels of wheat for feed purposes at the parity price of corn. During the present fiscal year the CCC has already sold nearly 225 million bushels of wheat for feed, most of it in the past six months.

#### Price control developments

Subsidies will be paid to vegetable packers, to enable them to meet proposed wage increases pending before the WLB without raising civilian prices of essential canned foods, according to a plan approved by Director of Economic Stabilization Vinson last week. The subsidies will cover green peas, snap beans, sweet corn and canned tomatoes, and will be paid through the CCC purchase-and-resale program.

Sales to Government agencies, however, will be made at prices reflecting the increased costs of raw materials and labor. For minor vegetables, which are not essential cost-of-living items, higher ceiling prices will be authorized to compensate for approved increases in raw material costs and wage rates. This action in subsidizing the 1943 vegetable pack will probably arouse opposition from Congressional sources, which have been vigorously criticizing the subsidy program.

OPA's subsidy rollback program for butter, meats, and coffee continued to be the object of severe criticism from the food industry and Congress last week, but there were indications that OPA would be permitted to try out this initial program. The rollback of 5 to 6 cents per pound in retail butter prices was put into effect last Thursday without any specific complaints.

Regulations are being drafted to reduce prices on fresh vegetables, Mr. Richard Gilbert, economic adviser of OPA, told the Senate Banking and Currency Committee. No subsidy payments will be used in this reduction, which is expected to lower the cost of living by one-half of one percent. This action may represent, however, no more than a seasonal reduction of fresh vegetable prices which would occur in any event through heavier summer marketings.

Extending the use of industry advisory committees, the OPA set up machinery last week for the formation of advisory committees to cover all industries affected by OPA regulations. This move was taken in response to criticism that many OPA orders have been issued without prior consultation with the affected industries. The Price Control Act requires that advisory committees be set up on the request of an industry, but many industries have not availed themselves of this privilege.

#### Complete WFA food control urged

The threat to the original plans for 1943 agricultural production resulting from adverse weather conditions and floods, together with short labor and machinery supplies, is increasing the agitation for a shift in price and rationing authority to the War Food Administrator. A committee of agricultural members of the House will seek a conference with the President this week, Representative Fulmer told the press last week, to discuss the necessity

- 5 -

of a coordinated Government plan to handle the food problem. Support for such a move was also given by Mr. Herbert Hoover as a means of increasing food production and preventing inflation. Moreover, the Grocery Manufacturers of America expressed fear that lack of coordination in the food program might lead to a serious breakdown, and they urged the integration of control over both food prices and supplies in the hands of the War Food Administrator.

#### Commodity prices irregular

Although the unfavorable June crop report had a bullish effect on grain prices, commodity prices on the whole moved irregularly last week, and the BLS index of 28 basic commodities showed practically no change. (See Chart 1.) Spot corn and barley prices were up noticeably, while oats futures (not included in the index) advanced to the highest level since 1920. A small increase was registered by wheat prices. Under a strong demand wool top prices rose substantially.

The price of hogs, however, declined almost 2 percent as a result of the heaviest marketings for this time of year since the drought of 1934. During the past two months hog prices have been falling and they are now within 30 cents of the Government support level of \$13.75 announced early this year. The decline has alleviated the squeeze on packers' margins, and it is now reported that packers can sell pork products under OPA wholesale price ceilings without incurring losses. (See Chart 2.) Among the important factors which have tended to reduce hog prices have been the restriction of demand through rationing and the seasonal increase in hog marketings.

In the week ending June 5 the BLS all-commodity index declined 0.1 point, after an almost continuous gradual rise since April 24. The index now stands at 103.9, which is 38.5 percent above pre-war levels of August 1939. Reversing a strong upward trend, prices of fresh fruits and vegetables began to show a seasonal downturn, which was largely responsible for the decline in the index.

#### Factory employment declines slightly but payrolls continue rise

Factory employment declined slightly in April, thus registering the first decrease since January 1942. Employment

- 6 -

in the transportation equipment group showed a further sizeable increase, due to continued expansion in aircraft and shipbuilding. However, with the exception of the chemical industry, all other major groups declined or showed only minor gains.

Despite the slight decrease in employment, factory payrolls continued to climb and reached a new record high in mid-April, 40 percent above last year's levels. Considerably more striking, however, is the fact that since April 1940, just before the defense program got under way, factory payrolls have risen 192 percent. (See Chart 3.) The continuing tendency of payrolls to move ahead, in the face of a levelling off in employment and of efforts to check the rise in hourly wage rates, probably reflects to an increasing degree the effects of the longer work week and overtime premiums. However, as is well known, increases also continue to be made in basic wage rates.

In reflection of these factors, average weekly earnings of factory workers in April moved up to a new high, 76 percent above the 1939 average. (Refer to Chart 3.) Moreover, it should be noted that since mid-May 1942 average weekly earnings have risen about 19 percent. This is of interest in view of the controversy over the "Little Steel" formula, which aims to restrict increases in basic wage rates to the 15 percent rise in living costs which occurred between January 1941 and May 1942. Inasmuch as living costs have continued to rise since May 1942, organized labor contends that the limitations on hourly wage rates under the formula is basically unfair. In these contentions, sight is frequently lost of the fact that average weekly earnings have continued to rise despite the limitations of the "Little Steel" formula on basic wage rates.

#### Steel operations decline

As a result of the recent coal strike, steel operations last week were scheduled to decline to 97.5 percent of capacity, thus touching the lowest level since the end of January. (See Chart 4.) Moreover, the Iron Age reported a decline in the production rate to only 94.5 percent of capacity, with operations in the important Pittsburgh district down to 88 percent. Although the blast furnaces recently shut down by lack of beehive coke were back in operation before the end of last week, it is estimated

- 7 -

that production of 50,000 to 60,000 tons of steel was lost as a result of the most recent work stoppage in the coal mines. In addition to a shortage of coke, shut-downs for repairs are also said to have contributed recently to a sag in the operating rate.

Although steel ingot capacity was increased about 3 million tons from September 1941 to the beginning of May 1943, the expansion program of the industry continues to lag behind schedule. The new capacity was to have been completed by the end of this month, but as of June 1 the blast furnace and open hearth programs were reported to be only 57 percent and 42 percent completed, respectively. Somewhat slower progress was reported for coke oven expansion, but the critical electric furnace program was 65 percent completed.

The steel industry's wartime expansion program is expected under present plans to be virtually completed by the end of this year, but in view of previous delays it remains to be seen whether this can be achieved. In the event the objective is reached, steel ingot capacity on January 1, 1944 would total 97.4 million tons, or nearly 9 million tons more than on January 1, 1942 shortly after our entry into the war.

#### East Coast petroleum supplies near low

Despite the ban on pleasure driving and the heavy tank car movement of petroleum products to the East Coast, supplies available for civilians in the area in the week ended June 5 dropped very slightly to 25.6 percent of "normal". This is only 0.1 above the extreme low touched in the week ended May 8. (See Chart 5.) As further evidence of the tight situation in supplies, the Petroleum Administrator last week indicated that East Coast residents could not expect any larger oil supplies for home heating next winter than last.

Among other developments, the present tight oil supply situation in the East appears likely to increase pressure for widening the jurisdiction of the Petroleum Administrator at the expense of the OPA. Moreover, while the oil shortage in the eastern states is primarily a transportation problem, the Petroleum Administrator indicated last week that he was asking the OPA to reconsider its refusal to grant a general

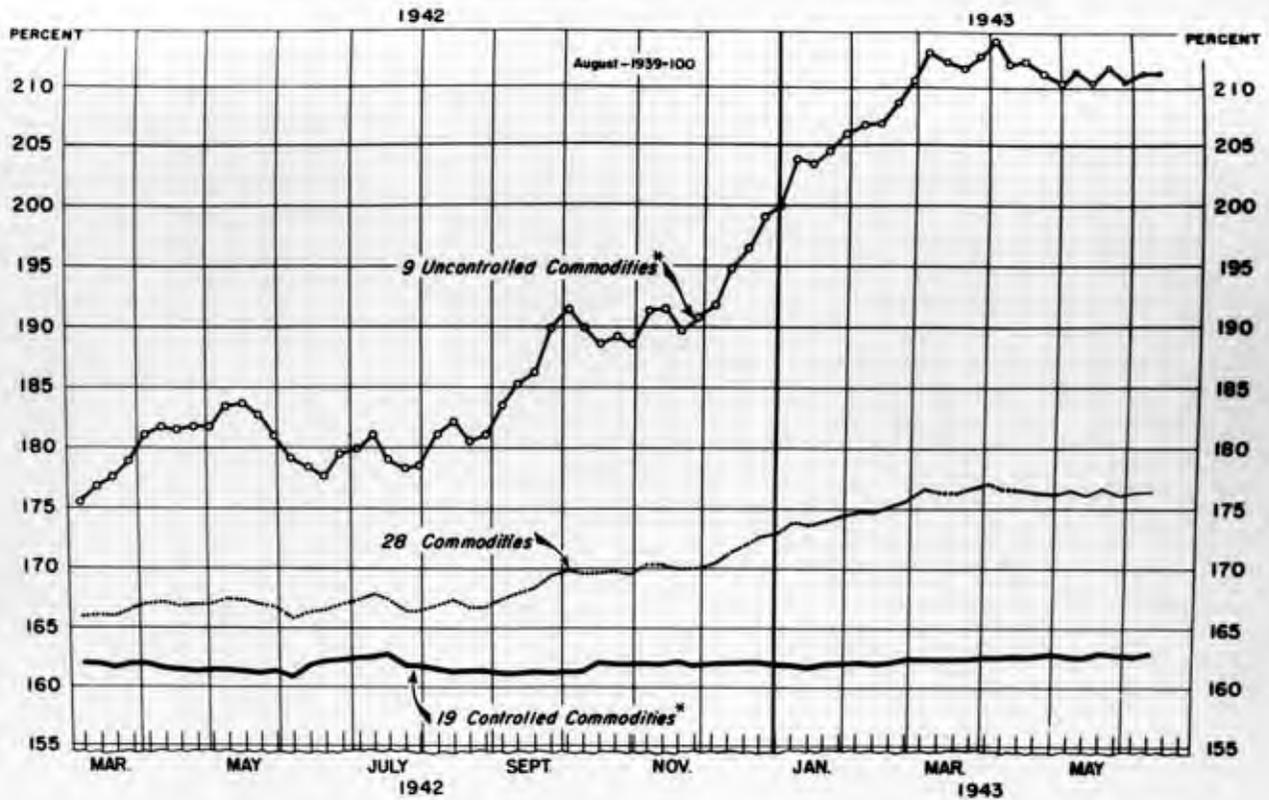
- 8 -

increase in crude oil prices. Proponents of a price increase have contended that such action is necessary to stimulate drilling, which is held to be inadequate to keep up with the demands of the industry.

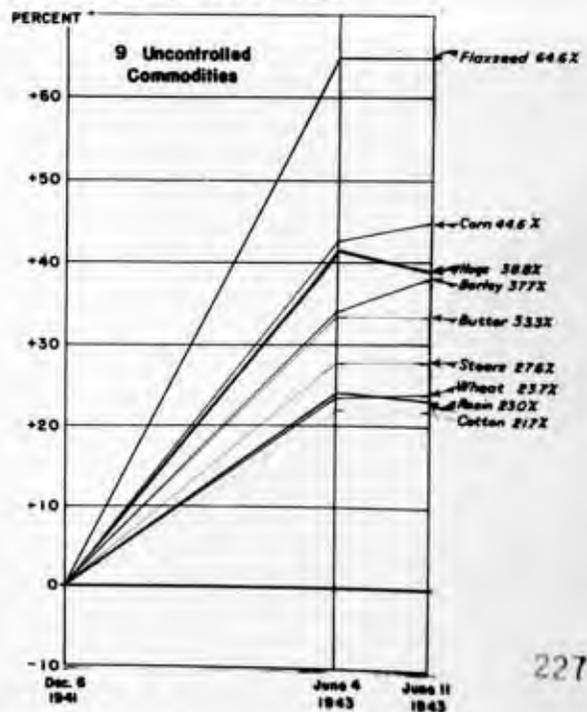
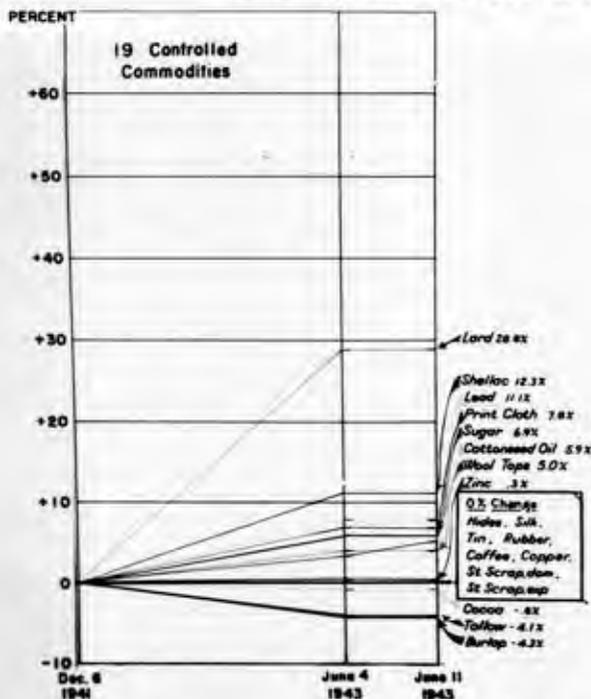
Stock prices slightly lower

After moving up to a new high in the first week of the month, industrial stock prices declined about 1 percent last week on diminished trading activity. Railroad stock prices showed greater weakness, declining about 3 percent, due to the prospect of increased railroad wage rates and to lack of buying interest in so-called "war" stocks. In this connection it is of interest that "war" stocks as a group have been unable to make any headway since near the end of March, while "peace" stocks have continued to forge ahead. (See Chart 6.) It will be noted that "peace" stocks now stand in the strongest relative position since shortly before the German invasion of Norway.

# MOVEMENT OF BASIC COMMODITY PRICES



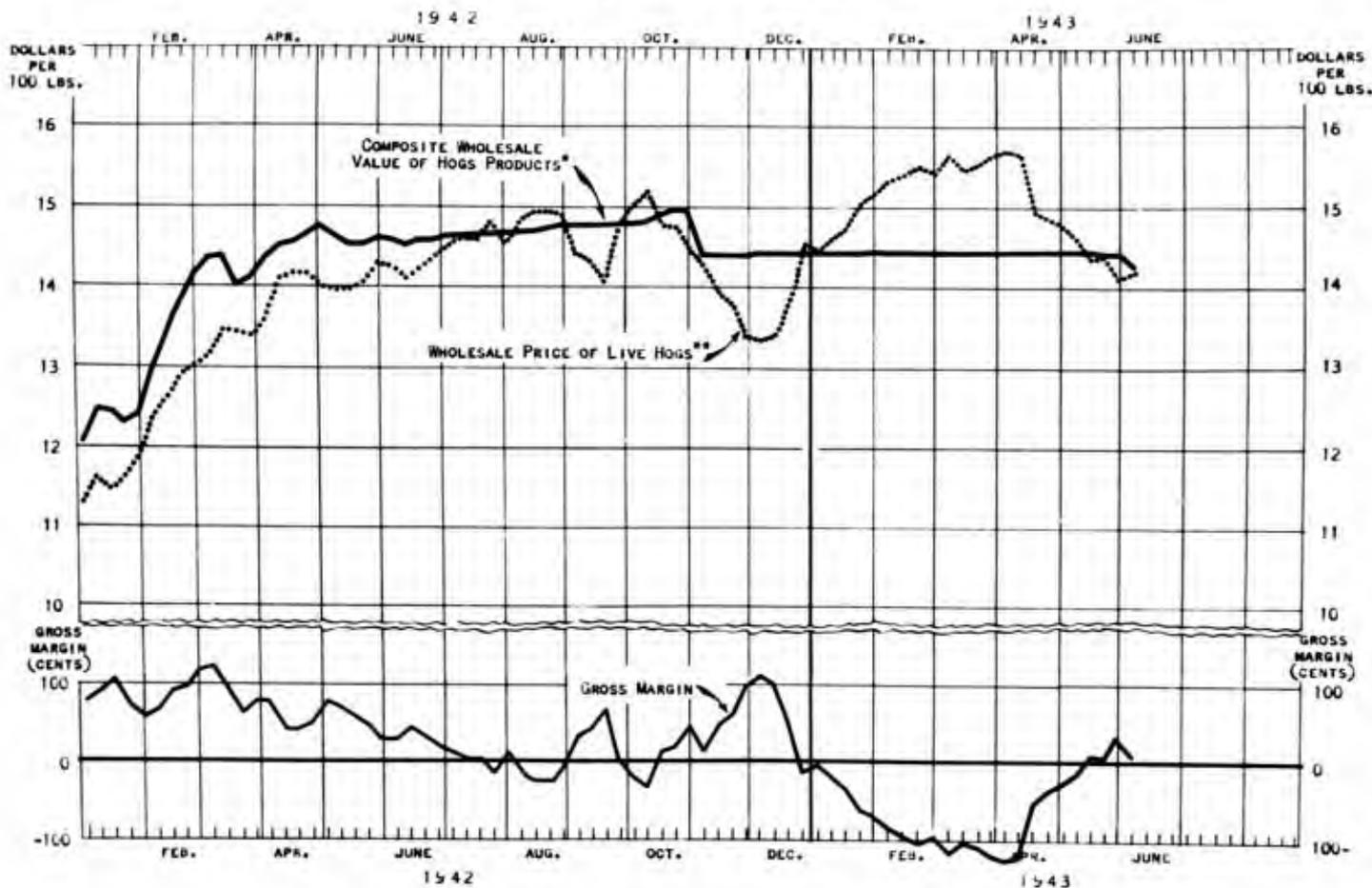
PERCENTAGE CHANGE DEC. 6, 1941 TO JUNE 4, AND JUNE 11, 1943



\*20 Controlled and 8 Uncontrolled previous to June 26

HOG PRICES, VALUE OF PORK PRODUCTS, AND GROSS MARGINS

Weekly, January 1942 to date



\* WHOLESALE VALUE OF ALL EDIBLE PRODUCTS IN 100 LB. OF LIVE HOGS.  
 \*\* GOOD CHOICE, 180-200 LBS.

SOURCE: U.S.D.A

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

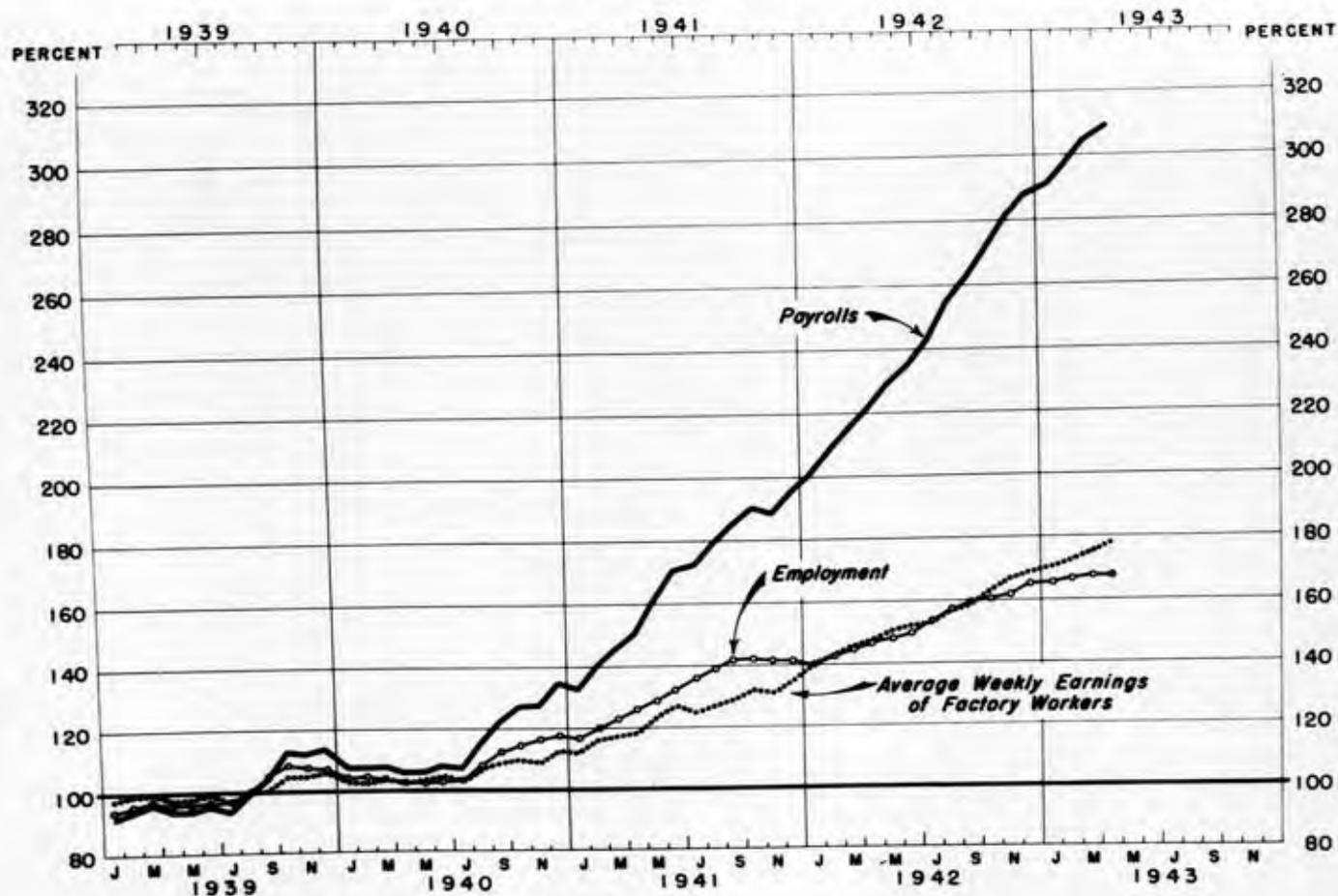
P - 240 - A

Chart 2

1943

Regraded Unclassified

# FACTORY EMPLOYMENT, PAYROLLS AND WAGES 1939=100, Unadjusted

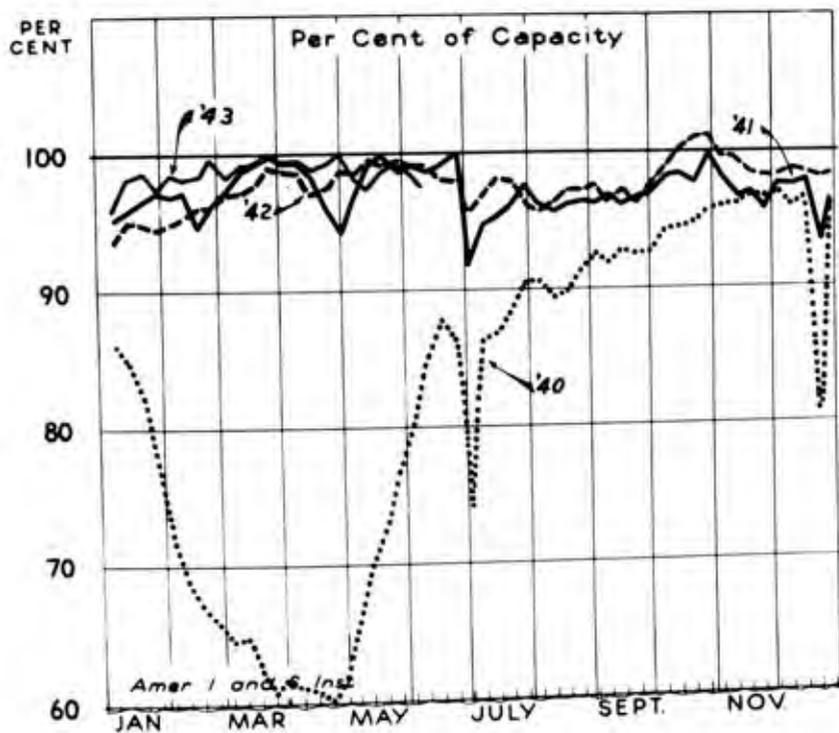


Office of the Secretary of the Treasury  
Division of Research and Statistics

C-488

Chart 3  
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## STEEL INGOT PRODUCTION

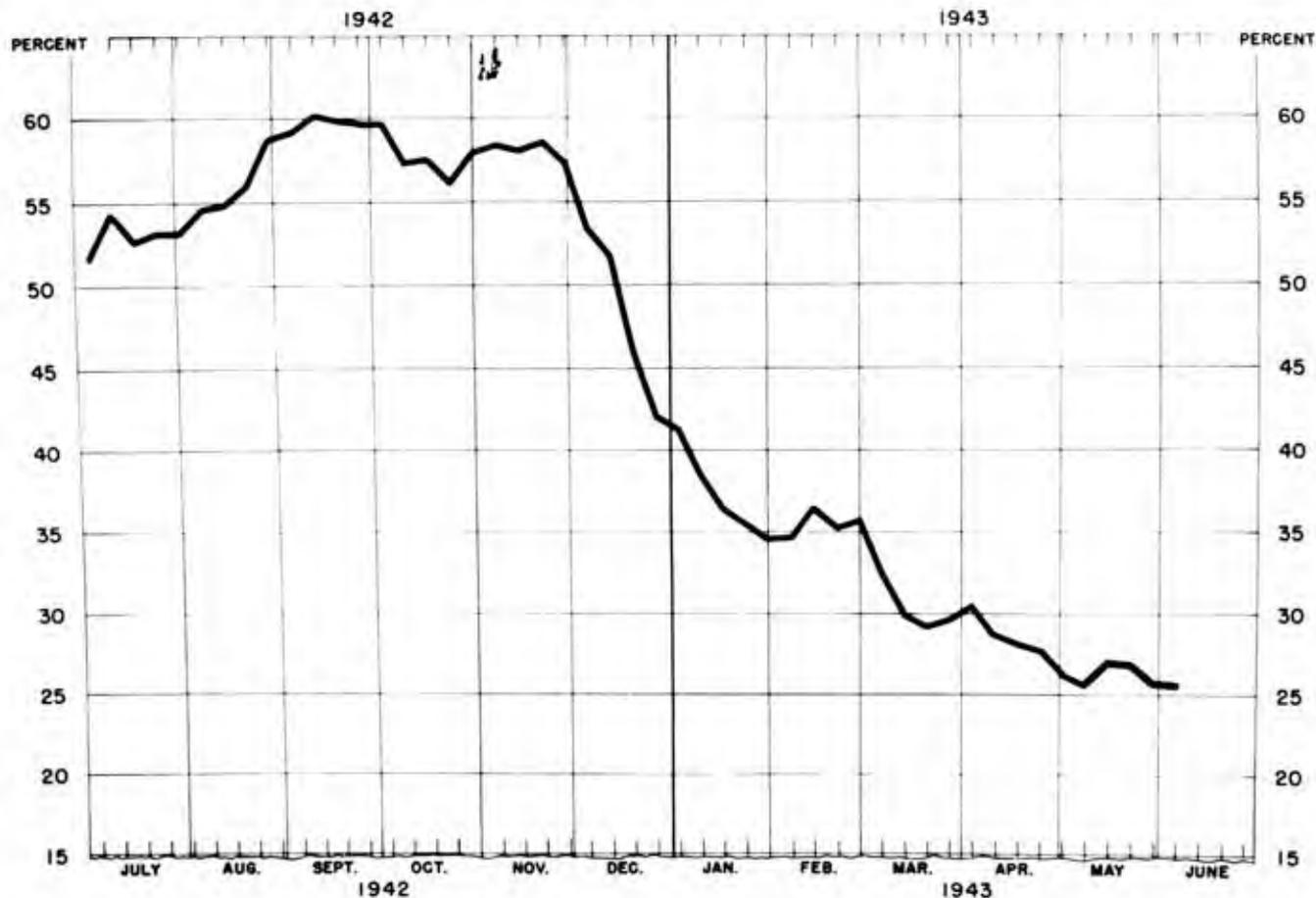


Office of the Secretary of the Treasury  
Division of Research and Statistics

C-419

# PETROLEUM PRODUCTS SUPPLY

## Civilian Supply on East Coast as Percentage of "Normal":\* July 1942 to Date



\*"Normal"-Supply for corresponding month in year beginning July 1940.

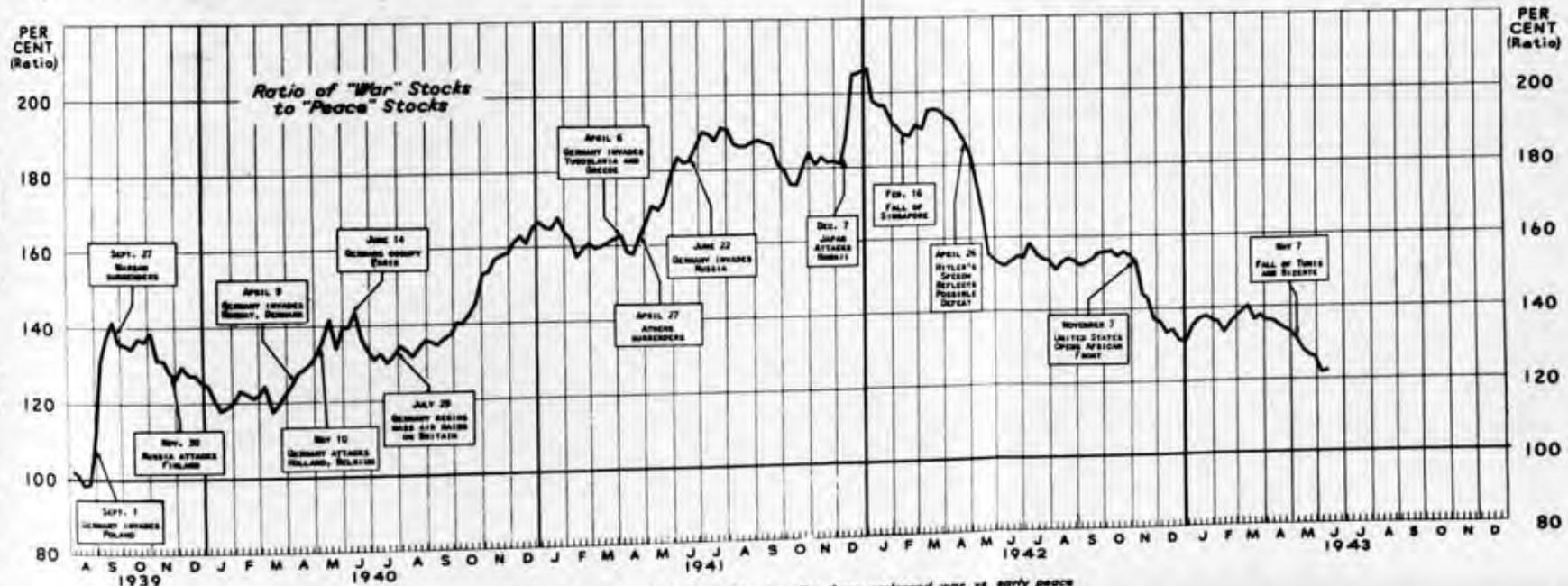
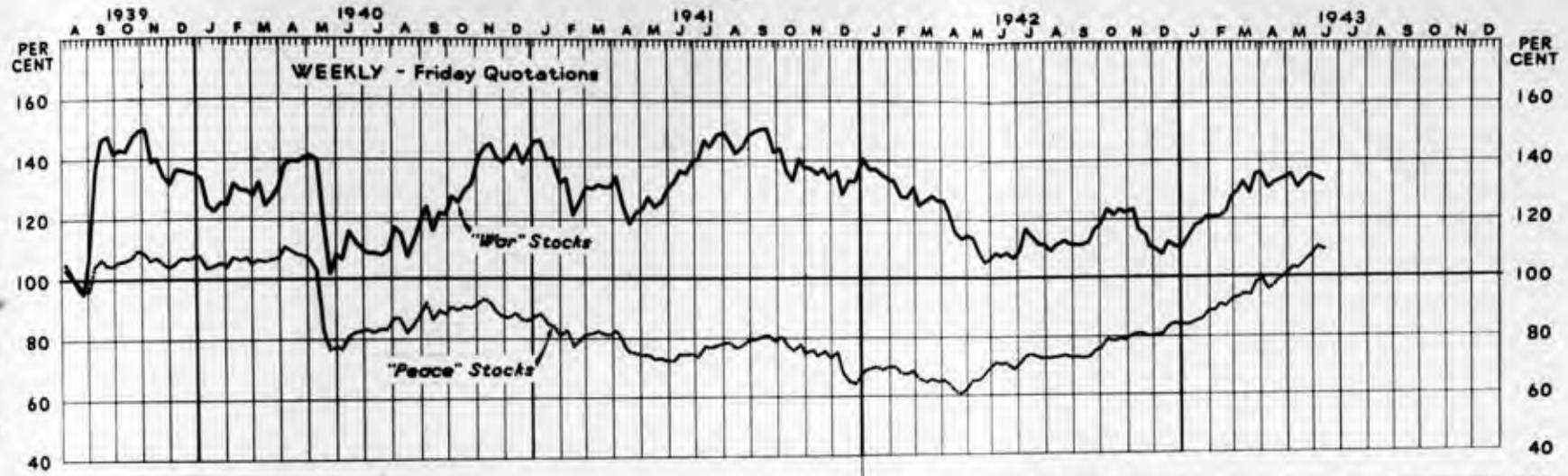
Office of the Secretary of the Treasury  
Division of Research and Statistics

C-474

Chart 5

# COMPARISON OF PRICE MOVEMENTS OF 20 "WAR" STOCKS AND 20 "PEACE" STOCKS\*

August 1939 = 100



\* Stocks selected on basis of relative benefits from prolonged war vs. early peace. Indexes are weighted averages of price relatives.

JUN 7 4 1943

Dear George:

I have your letter tendering your resignation as Assistant to the Secretary of the Treasury and it is with regret that I accept it to become effective upon the expiration of annual leave due you.

I am deeply grateful to you for the invaluable contributions you have made to the Treasury Department in its war financing efforts and for the personal sacrifice that Mrs. Buffington and you made in coming to Washington. The loyal and able assistance you have given me has had an important part in the success of our program to date.

It has been a pleasure to have had you as a member of the Treasury Staff, and it is with a sense of satisfaction that I may feel warranted in calling on you from time to time as suggested in your letter.

Very sincerely yours,

Mr. George Buffington,

Office of the Secretary.

CSB:em:ic  
6-7-43

*File*

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O  
P  
Y

234

June 7, 1943

My dear Mr. Secretary:

With the completion of the war financing activities to which I have been assigned as your assistant, and in accordance with our recent understanding, I hereby tender my resignation, to take effect at your convenience.

It has been a pleasure and a privilege to work under your able leadership since October 1941, and I hope you will not hesitate to call on me at any time in the future if I can be of service to you or the Treasury.

Sincerely yours,

(Signed) George Buffington

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury.

JUN 14 1943

My dear Mr. Hobbs:

It is with regret that I accept your resignation from the position as Technical Assistant in the Office of the Secretary to take effect upon the expiration of accrued annual leave due you.

I appreciate the faithful and efficient service you have rendered the Treasury Department in its war financing efforts and your kind offer to again serve the Department should the occasion arise.

My best wishes go with you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert B. Hobbs,  
Office of the Secretary.

*File* to Mr. Thompson

CSB:ic  
6-9-43

June 7, 1943

Dear Mr. Secretary:

In accordance with my recent conversation with you, I hereby submit my resignation as Technical Assistant in the Office of the Secretary, War Finance Committee, to take effect at your convenience.

It has been a privilege and a pleasure to be associated with the Treasury Department in its War Financing program and I trust that it will be possible for me to serve you again at some future time.

Sincerely yours,

(Signed) Robert E. Hobbs

The Honorable,

The Secretary of the Treasury.

JUN 14 1943

## MEMORANDUM FOR THE PRESIDENT:

I have your memorandum of June 11th, asking about the candidacy of William Burke for Collector of Customs at Boston, where there is a vacancy. Congressmen McCormack and Curley have been pressing for the appointment of Burke, who is Democratic State Chairman. No word on the matter has been received from Senator Walsh. However, at the request of Chairman Walker, an investigation of Burke's qualifications was begun on June 4th.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

HEG:ds

*Photo file - Diary  
orig. file to Lester direct*  
By Messenger *Simmons* 5:29  
4/17

THE WHITE HOUSE  
WASHINGTON

June 11, 1943

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

How about Mr. William Burke  
for Collector of Customs in Boston?  
John McCormack says he comes closer  
to satisfying all factions than  
anybody else.

F. D. R.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON

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June 14, 1943

SECRET

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of June 7, 1943, the purchases against the African Program from June 7, 1943, to June 13, 1943, totaled \$797,867.53 or a total of purchases for the program thus far of \$44,351,613.01.

Attached is report giving status of shipping against these purchases.

A. J. Walsh  
Acting Director of Procurement



(37861)

**SECRET**

SHIPPING REPORT AS OF JUNE 12, 1943

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Aluminum sulphate			14.5	
Asbestos sheet packing	2			
Boiler tubes				19
Bone glue		20.5	37	
Books & booklets	2			
Brass rods & sheets	62.23	63.82	91.33	
Babbitt metal	53.85			
Brick	129		40	
Calcium carbide	505.14	940.43	384.79	1105.7
Cement				47
Cement, rubber			30.27	
Chemicals	383.35	733.04	1336.98	71
Coal cutters	12			
Copper tubing	21.5	18	109.58	16
Corrugated boards		90	34.4	22
Clothing	2265.46	218.8	189.5	10.5
Copper sulphate	5697.7		47.5	
Cotton thread	69.25	30		
Cordage & twine	235	29.5	26.5	
Drugs	6.5	20.5	12.5	2
Electrodes	9.4	9.6	.03	4.3
Envelopes	.94	15.56	12.68	
Files, steel	15	15	.4	
Fullers earth	72			
Gelatin	1	1		
Glass, window	23.6	76	21	24.3
Glass, lamp chimneys			17	
Glycerine	12.75			
Horse shoes & nails	168.99	29.91	48.39	16.72
Hosiery	26	5	20	.5
Jute bags	356.19	428.56	655	

## SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Light bulbs	3.26		15.1	3.5
Lithopone			10.2	
Lumnite	30			
Mach. finished book paper	2			
Matches	394.38		16.9	62.35
Newsprint	937.47	131	144.66	28
Nipples, bottles, eye cups			9	
Paper products	603.95		263.18	460.47
Paper bags	83.9	190.6	11.42	
Paint pigments	26.5	33.5	13.2	1
Piece goods, textiles	10,643.11	275.16	2160.25	887.05
Pig iron	65	432	65	56
Pig tin	64			
Powdered milk	119			
Printers ink & supplies	.27	12		
Raw sugar	1545			
Refined sugar	4196.5			
Sheet copper, rods, cable	39.46	7.54	67.1	64
Shoe tacks	14.5	9		
Spare parts for autos, tractors & harvesters	751.78	21.9	727.7	222.22
Storage batteries & flashlights	66.7		17.72	25.8
Steel, pipe, bars, angles, wire	298.85	2033	4538.24	1640.22
Shoes, boots & soling	274.25	113.75	201.5	6.91
Sulphur commercial flour		1382	1435.2	2555
Tin plate	845			
Tires, tubes & tape	269.64	85	127.7	361.54
Tools	84.64	38.7	530.23	641
Tooth brushes			.75	
Tea	171.75			

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Typewriter ribbons		.5		
Wire nails	100.5			
Wire rope	88.5		17	
X-Ray films	1		18	
Blasting caps	1.4			
Transformers				6
Wire cloth			6.95	
Padlocks			2.5	
Hooks, eyes, buttons, needles			17	6.5
Electric motors	4.8		4.5	
Spark plugs	4.5	5		
Trucks	174.8	45	120.5	39.8
Ball Bearings		1	.1	
Spiegeleisen				161
Belts			5.5	
Oil, insulating			9.5	
Grass hooks			1.2	
Lamps			5.18	
Totals	32,037.26	7,561.86	13,592.33	8,567.38

carbon copy delivered to: Major Gen. Burns

243

**SECRET**

JUN 14 1943

**My dear Mr. President:**

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet Government indicating the availability of cargo for June.

Tonnage at the end of June will be 741,042, an increase of 44,879 tons over May. This increase is chiefly attributable to the accumulation of equipment under the special industry program.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

**The President****The White House**HFRiley/kb  
6-8-43

IRS

Mr. Wallace  
Cory

HW

Mr. Sullivan

H.F.R.

## TREASURY DEPARTMENT - U. S. S. R.

SECRET

COMMODITY	PRIORITY CARGOES SPECIFIED FOR JUNE 1943	AVAILABLE		BALANCE
		STORAGE	PRODUCTION	
STEEL BARS, SHEETS, STRIP PLATES, SHEAFS, ETC.	3,500	204,129	25,385	229,514
TOOL AND DIE STEEL	1,000	517	6,872	7,389
RAILROAD RAILS, WHEEL SETS AND ACCESSORIES		84,487	281	84,768
WIRE PRODUCTS		74,905	8,074	82,979
PIPE AND TUBING		116,779	3,978	120,757
TIN PLATE		2,111		2,111
COPPER AND ITS PRODUCTS	400	80,100	19,228	99,328
ZINC	2,000		2,500	500
ALUMINUM AND ITS PRODUCTS	3,000	460	3,212	3,672
FERRO ALLOYS	325	4,311	517	4,828
CHEMICALS		11,759	74	11,833
MERCURY	600	31	656	687
INDUSTRIAL & CONSTRUCTION MACHINERY, MATERIALS, ACCESSORIES & PARTS	35,500	70,261	38,167	108,428
AUTOMOTIVE EQUIPMENT AND PARTS			228	228
TIRES & TUBES	4,000	2,048	2,490	4,538
GRAPHITE - METAL ELECTRODES	300	668	31	709
RUBBER PRODUCTS			5,690	5,690
HAND & MACHINE TOOLS		799	2,543	3,342
BALL & ROLLER BEARINGS		57	884	941
PAPER & PAPER PRODUCTS		2,828	137	2,965
MISCELLANEOUS SUPPLIES & EQUIPMENT		101	553	654
CLOTHING & TEXTILES			6	6
COAL			36,762	36,762
ROLLED LEAD		35		35
	<u>50,625*</u>	<u>636,376</u>	<u>155,291</u>	<u>791,667</u>

NOTE: \*Priority Cargo represents only that tonnage with assured shipping space as of today.  
As in previous months substantial other cargo will be shipped.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission  
who enclose Statement No. 89 - Aircraft Despatched  
- for week ended June 8, 1943.

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

June 14, 1943.

Aircraft Despatched from the United States

Week Ended June 8th, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Catalina IV	U.K.	U.K.		1	
Liberator GR V	U.K.	U.K.		14	
<u>DOUGLAS</u>					
Dakota	India	India		1	
<u>CURTISS</u>					
Kittyhawk	New Zealand	Auckland	14		
<u>FAIRCHILD</u>					
Fairchild PT26	India	Bombay	8		
Fairchild PT26	W'Africa	Takoradi	3		
<u>LOCKHEED</u>					
Hudson III A	U.K.	U.K.		21	
Ventura	Australia	Sydney	7		
Ventura	New Zealand	Auckland	9		
<u>GLENN MARTIN</u>					
Baltimore III A	M.E.	M.E.		1	
Baltimore IV	M.E.	M.E.		16	
Marauder I	M.E.	M.E.		1	
<u>NORTH AMERICAN</u>					
Mitchell II	U.K.	U.K.		3	
Harvard	M.E.	Port Sudan	6		
Harvard	India	Bombay	3		
<u>VULTURE</u>					
Vengeance	Australia	Sydney	4		
<u>VEGA</u>					
Ventura GR V	New Brunswick	Penfield Ridge			3
Ventura	New Brunswick	Penfield Ridge			1
<u>STINSON</u>					
Reliant I	Trinidad	Trinidad		12	
			Total	54	70
					4

British Air Commission  
Movements Division  
June 11, 1943.

JUN 14 1943

**Excellency:**

This is in reply to your letter of June 9, 1943 indicating your desire for a conference with me on certain monetary matters and enclosing a copy of your memorandum, Remarks concerning the American and British Plans for International Stabilization of Currencies.

I appreciate your interest in submitting your views on the proposals for post-war monetary stabilization and shall be pleased to see you sometime during the week beginning June 14. May I suggest that your secretary telephone my office for an appointment at a time which will be mutually most convenient?

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency, J. van den Broek,  
Minister of Finance,  
Kingdom of the Netherlands,  
1620 Belmont Street,  
Washington, D. C.

Photo. file in Diary  
Orig. File ret'd direct  
to White's office.

ECONOMIC, FINANCIAL  
AND SHIPPING MISSION  
OF THE KINGDOM OF  
THE NETHERLANDS

WASHINGTON, D. C.

June 9, 1943

VICE-PRESIDENT  
DR. C. H. C. HART

WASHINGTON, D. C.  
1620 BELMONT STREET  
TEL. ADAMS 4301

FRANK  
STENBERGHE

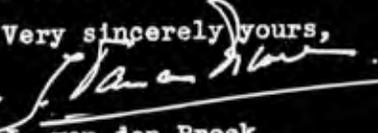
The Honorable  
Henry Morgenthau, Jr.  
Secretary of the Treasury  
Washington, D.C.

My dear Mr. Morgenthau:

I will be very pleased if you can give me an opportunity to discuss a few monetary matters during my stay in your country. As I have to leave today for Ottawa and will not be back before the beginning of next week, I would suggest that you let me know what day and what time during the next week you will be able to receive me.

Enclosed are a few remarks concerning the American and British plans for international stabilization of currencies. In these remarks I have written a few thoughts that occurred to me while reading the plans, and I would like to discuss these remarks with you during the interview I hope you will grant me.

Very sincerely yours,

  
J. van den Broek  
Minister of Finance of the  
Netherlands

JvB:hs

Remarks concerning the American and British Plans  
for International Stabilization of Currencies

Both the Keynes and the American plans are attractive in the sense that they aim at stabilization of international rates of exchange, prevention of the collapse of some monetary system, and restoring the confidence in the respective currencies.

However, as has been pointed out in both proposals, the monetary problems are closely linked up with economic problems. Therefore the aim of the proposed plans is also to facilitate the restoration and balanced growth of international trade. Economic measures of an international character will have to be agreed upon if monetary stabilization is to be achieved. The proposals were clearly drawn up having this in mind, and it is to be hoped that on broad lines certain trade agreements will be reached in order to guarantee the success of the planned stabilization of foreign exchange. It may be stated here that the United States has already taken steps in this direction by the act regarding separate trade agreements. (See Mr. Hull's statement to the House Ways and Means Committee of April 12, 1943.)

What dangers are threatening the smooth and uninterrupted working of either the Keynes or the American plan, or a combination of both once such a plan is accepted? They can only work if methods to deal with disequilibria in balances of any country vis-a-vis the world either credit or debit, which automatically will create the opposite balance for the rest of the world will be acceptable to such country. By "acceptable

to such country" I mean that the pressure exercised should not hurt the real interests of a country, nor lead to an unwarranted lowering of its standard of living. If one of the two, or both, were the case, it would create general discontent and be felt as being unreasonable. We therefore have to analyze the causes which may lead to disequilibria. Although it is practically impossible to distinguish clearly between current business and long term financing, it will be necessary and very likely be possible to determine whether a disequilibrium in the balance of a country is solely due to a one-way traffic of long term financing. Such long term financing itself need not endanger an international monetary system; equilibrium may be reestablished as soon as the long term financing bears fruit. But both current business and long term financing may cause disequilibria due to other factors which may endanger the success of any international scheme. I would like to draw here attention to three such possible causes.

1. Suppose member countries use their credits in an uneconomic way. We have seen in the past that some countries have built up their economy on lines automatically leading to bankruptcy or monetary chaos. I refer to the economic system of Germany where the slogan "Guns before Butter" was accepted as the government's policy backed by the general opinion of the overwhelming majority of the population. In other words, Germany used its international credit to build up an army, and we should not overlook, the strongest army in the world, and Germany was prepared - and actually did so - to sacrifice its material standard of life to achieve that purpose.

It is true that in the first few years after the war the Axis countries will have to accept all kinds of control measures forced upon them by the United Nations and therefore we need not, for the time being, worry very much about whether or not they intend to bring their economy more into conformity with the economy of others. However, we must realize that, as has already been stated in the Keynes plan, also countries belonging to the United Nations will have to surrender some of their liberty of action if the schemes are to work satisfactorily.

In my opinion this applies to both plans, the Keynes and the American plan. We have to answer the question: "Will it be possible for nations to surrender their liberty of action to some extent, and, if so, to what extent, and how can this be achieved?"

Let us suppose, for argument's sake, that a member of the union or of the fund uses its purchasing power based upon the credit it can obtain, in (at least in the opinion of member countries) an uneconomic way, for instance on armaments or by importing such luxury goods as, according to its trade balance, can hardly be looked upon as sound economic purchases. By what power will the other member countries be enabled to prevent this, and is it desirable or not to introduce into the monetary arrangement itself certain clauses to provide for such possibilities, or is the sanction of refusing further credits a sufficient guarantee? If other more stringent clauses are introduced these undoubtedly will enter the political field. If they are not provided for, will not the automatic reaction of a country, not living up to expectations and having reached the maximum of its credit, consist in abandoning its membership? Has not the League of Nations given us a sad example in this respect?

2. There is a second problem to which we have to give some thought if we want to prevent the failure of an international monetary system. The natural resources of various countries differ widely.

Lord Keynes in his speech at the meeting of Ministers of Finance on February 26, 1943 stated that his particular plan takes its most characteristic feature from the analogy of banking. I believe that this is not only the most characteristic feature of the plan but also the most attractive one. However, the system of banking in a country was possible because in such country certain measures were always taken to prevent the capital or the wealth of the country from being accumulated in too few hands. I mean to say this: If an individual was not using his available money he made it available to others who wanted credit. Such others had to pay a certain interest on the money lent to them, but there were certain provisions to prevent this process from continuing ad infinitum in a one way traffic. This had the effect that there are always a great number of creditors on one side and a great number of debtors on the other side. The banks formed the links. Government's taxation prevented the system from getting tied up. Actually this worked out in such a way that the wealthier inhabitant of a country had to part with some of his wealth to the benefit of the less fortunate inhabitant. His wealth was very often based upon his greater energy and on the greater quantity of work he did to the benefit of the general welfare, but such was not always the case. A man living on a part of the richest soil of a country is bound to produce more than a man living on poor soil and, therefore, measures to equalize to a certain extent this difference in the possibilities for acquiring and collecting wealth were taken.

No closed banking system could have worked in the long run without these provisions. I am wondering what will be the future of an international banking system of a family of nations. Will not the result automatically be that with a more or less equal standard of living some countries will, by necessity, become creditor and others debtor countries? For a certain length of time I believe that by altering the rate of exchange this difficulty can be overcome, but we cannot close our eyes to the fact that the basic reason for the growing wealth of some countries may be mainly due to differences in natural resources.

Let us take as an example the United States of America. In the past the United States of America has, for a good many years, been a debtor country. Other countries were investing money in the United States by which the natural resources of America were developed. Now the picture has changed completely. America is not only a creditor country, it is also a country that owns practically all the extracted gold in the world. It has been argued that the reason why America has all the gold is obvious. The reason, people say, is that America is exporting goods but prevents the import of goods by high tariff walls. Therefore the balance is paid in gold. I don't think this is true. If there had been a shortage of wheat or any other essential material for the economy of the United States, the United States would not have preferred gold above wheat or oil or anything else which might have been lacking. Materials which the United States did not possess itself were always imported, like rubber, tin and other raw materials.

Summarizing, it seems necessary that the Managing Board of a Clearing Union or Stabilisation Fund have the means to prevent uneconomic expenditure of credits. It must also have powers to investigate the reasons why certain countries become creditor and others debtor countries and to propose measures for adjustment. For instance, adjustment in the case of backward countries may be found in granting long term credits on conditions not hampering but fostering the development of such countries.

Last but not least, it must have the power to demand that member countries take the necessary steps to guarantee internal financial stability without which international currency stabilisation is impossible.



J. VAN DEN BROEK

May 20th, 1943

PARAPHRASE OF TELEGRAM RECEIVED

257

FROM: American Embassy, Chungking, China.

DATE: June 14, 1943, 9 a.m.

NO.: 915

This is message TF-132 for the Secretary of the Treasury only from Mr. Adler.

With reference to my TF-128, dated June 9, 1943, I have learned from sources considered reliable that on June 12 T.V. Seong received a cable from the Generalissimo which instructed him not to give you notice that China wants to extend the stabilization agreement of 1941. The previous suspicion that Kung was acting under orders from the Generalissimo when he raised the questions transmitted to you in the telegram under reference is thus confirmed. Otherwise it would be difficult to explain his obduracy or his uneasiness in face of the unanimous opinion held by all of his financial advisers. Evidently strong dissatisfaction with the 1941 agreement has recently been expressed by the Generalissimo. It seems that he has the feeling that he does not have to worry about possible Treasury reaction to China's allowing the lapse of the 1941 agreement since China's external position is so favorable.

ATCHESON

eh:copy  
6-16-43

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET  
U.S. SECRETOPTIL No. 193

Information received up to 7 a.m., 14th June, 1943.

1. NAVAL

LIMOSA ISLAND. Surrendered to a Landing Party from one of H.M. Des-  
troyers morning 13th.

OFFICE OF REFERENCE  
SECRETARY OF AIR FORCE  
AIR OPERATIONS

WESTERN FRONT. 12th/13th. BOCHUM. 1,507 tons dropped including 273  
4,000-pound H. bombs. Some thin cloud prevented observation of ground details,  
but did not hide Marker Bombs which were on the whole placed accurately. Bombing  
concentrated in 2 areas, one of them around main Railway Station. Fires spread  
over wide area. A large factory soon ~~detonated~~ direct hit. Many explosions re-  
ported. A/A moderate to intense but diminishing. Several searchlights operating  
with Fighters, one of which claimed destroyed.

13th. 113 Fortresses dropped 252 tons at BREMEN. Results 'fair'.  
42 Fortresses dropped 96 tons at KIEL, bombing reported 'poor to fair'. 26 Bombers  
missing. A total of 28 Bombers of the Tactical Air Force attacked objectives at  
LILLE, FLUSHING and ABBEVILLE. Coastal Command Beaufighters attacked a convey off  
Hook of HOLLAND. A 5,000 ton ship was hit by torpedo. A second ship was sunk and  
a minesweeper and an escort vessel were set on fire. A total of 44 squadrons of  
Spitfires and Thunderbelts operated as cover or diversions. Enemy casualties -  
7, 0, 6. Ours - 7 missing. In addition, Mosquitoes destroyed a Fockwulf 200 over  
the BAY OF BISCAY and a Dornier Flying Boat off NORWAY. 3 Mosquitoes missing. One  
P.W. 190 which crossed the KENT Coast was destroyed by a Spitfire.

13th/14th. Aircraft despatched - sea mining 30, (one missing), BERLIN  
6, DUSSELDORF 4, COLOGNE 3, anti-shipping 2, Intruders 14, Leaflets 8. Two enemy  
aircraft crossed the KENT Coast, one was shot down by a Mosquito. Later 25 enemy  
aircraft operated over LINCOLNSHIRE, 2 were shot down by night fighters.

SICILY. 12th. 80 escorted heavy and medium bombers attacked 3 air-  
fields.

LAMPEDUSA. 12th. 145 tons of bombs were dropped.

BURMA. 11th. 41 bombers and 68 fighters carried out offensive opera-  
tions against various widely separated military objectives.

2. HOME SECURITY

12th/13th. PLYMOUTH. 15 persons reported killed.

13th/14th. 5 reported killed GRISBY and 5 CLEETHORPES.

Regraded Unclassified