## APPENDIX C

The following work was done under the supervision of Assistant General Counsel Luxford:

1. French North and West African Program (See March 1943 report, item 76). A considerable number of monetary, fiscal, exchange and property control matters relating to North Africa have been handled by this office in collaboration with the Monetary Research and Foreign Funds Control staffs. These problems include the following:

(a) Monetary and fiscal. Monetary and fiscal problems relating to stabilizing the local economy of the area have been studied, including the question of prices and price controls.

A number of questions relating to currency were handled, involving the use of United States currency in the area and the shortage of French franc currency in French Africa.

(b) Taxation. The question of the extent to which the French authorities in North Africa may tax the property of and transactions engaged in by the Allies has been the subject of considerable discussion within the Treasury and with other Departments concerned. A definite program was finally agreed upon and submitted to our men in the field on the basis of which they have been requested to come to an operating agreement with the French which will govern for both French North and French West Africa. This program

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sets forth the extent to which the French authorities in French Africa may tax imports, purchases in French Africa, exports, and other transactions engaged in by the Allied Governments.

(c) Financial control measures. Problems have arisen in connection with the administration of the Trading with the enemy Ordinance and the financial and property control decree which we were instrumental in getting the French to adopt in French Africa. The primary purpose of the Trading with the enemy Ordinance is to prevent any person in French Africa from having any financial or commercial intercourse directly or indirectly with any person in enemy or enemy-occupied or controlled territory. In addition, the Ordinance provides for the publication of a black list containing the names of persons outside of French Africa to be regarded as enemies. Under this provision the French authorities have issued a black list for European neutral countries, Spanish Morocco, Tangier, and Liechtenstein. With the exception of Tangier, the lists for the above countries contained all the names which are contained on the United States Proclaimed List and the British black list.

The financial and property control decree which has been adopted gives the French administrative authorities broad powers to take such measures as may be necessary to eliminate within French Africa any financial or commercial

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activity which benefits the enemy directly or indirectly. Our main problem in this regard has been attempting to get a satisfactory administration by the French authorities of the terms of this decree.

(d) Applicability of United States financial controls. The application of the financial and property controls of the United States Government to transactions involving French Africa has involved many problems which are under active consideration.

In that connection, a report on the financial manipulations in North Africa of the French collaborationists has been prepared, which tends to show that there are large amounts of collaborationist assets in French Africa and that we can expect that every effort will be made by the collaborationists to translate these franc assets into free dollars, free sterling, etc.

(e) Supply problems. We have been working with the Lend-Lease Administration in an effort to arrive at a satisfactory program with respect to Lend-Lease and reciprocal aid in North and West Africa. (Mr. DuBois)

2. Problems Respecting Allied Occupation of Axis Territory. (See March 1943 report, item 77). Members of this office, in cooperation with the administrative staffs of Monetary Research and Foreign Funds Control are continuing

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the confidential studies concerning financial and commercial conditions in various countries of Europe. Our study is directed particularly to laws relating to the civil economy and rights (rationing, price control, discriminatory measures, labor laws, control of investment markets, and security exchanges, etc.) and laws relating to economic warfare (exchange control, foreign funds and property controls, export and import controls, censorship regulations, and restrictions on internal intercourse, etc.). (Messrs. DuBois and Minskoff. Assignments of these studies by country are as follows: Greece, Mr. Daum; France, Mr. Johnston; Spain, Mr. Golding; Norway, Mr. Scott; Italy, Mr. Ackermann; Yugoslavia, Miss Mayer; Belgium, Mr. Parker; The Netherlands, Mr. Locker.)

3. Public Documents This office participated in the preparation of the following public documents which were issued during April:

(a) Public Circular No. 18A. (See March 1943 report, item 78(b)). This public circular prescribes a standard of conduct to be observed by United States concerns located in Latin America with respect to transactions involving blocked nationals. The circular supplements Public Circular No. 18 which dealt with the relations between United States concerns

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in Latin America and enemy nationals. There had been considerable confusion since the issuance of Public Circular No. 18 as to the extent to which United States concerns were circumscribed in their relations with blocked nationals who were neither within enemy territory nor were on the Proclaimed List. The new public circular prescribes a very liberal standard of conduct respecting transactions involving blocked nationals and, in general, stipulates that the only transactions which may not be freely engaged in are those involving dollar accounts of blocked nationals located outside the generally licensed trade area. (Messrs. Aarons, Lawler and Moskovitz)

(b) Amendment to General License No. 53. (See March 1943 report, item 78(b)). This amendment is supplementary to Public Circular No. 18A. It has the effect of allowing persons within the United States to engage in transactions with blocked nationals in the generally licensed trade area to the same extent that Public Circular No. 18A authorizes American concerns in Latin America to engage in transactions with such blocked nationals. The amendment to General License No. 53 stipulates, however, that such transactions must be effected through banks in the generally licensed trade area, and also that they must not involve debits to blocked accounts. (Messrs. Aarons, Lawler and Moskovitz)

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(c) General License No. 68A. This license was amended by deleting the reporting requirement.

(d) General License No. 85. The purpose of General License No. 85 was to facilitate the registration of Mexican securities which are held in blocked accounts. Such registration is pursuant to the Mexican Decree of August 4, 1942. (Mr. Aarons)

(e) Public Interpretation No. 12. This interpretation was issued for the purpose of safeguarding our reporting requirements and making it clear that securities transactions in sub-accounts would continue to be reported, although amounting to less than $5,000 each, in cases where the total sales for two or more sub-accounts are in excess of that sum.

(f) Public Interpretation No. 13. Under this interpretation the Department announced that it was not requiring a license to vote securities or solicit proxies with respect to securities in which blocked nationals have an interest, unless of course such voting or solicitation involves trade or communication with an enemy national. (Messrs. Aarons, Alk and Daum)

4. Latin American Problems (See March 1943 report, item 78).

(a) Argentina. During the month of April our study of the Argentine situation continued; little or no progress

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can be reported. Only one additional name was designated as a Special Blocked National. (Mr. Moskovitz)

(b) Licensing Problems. A circular instruction to the Missions dealing with Public Circular No. 18A, General License No. 53 (see above item 3), and related problems was prepared and issued in conjunction with the State Department. (Messrs. Aarons, Lawler and Moskovitz)

A memorandum was prepared dealing with certain possible questions of construction which may arise concerning the scope and interpretation of Public Circular 18A. (Mr. Moskovitz)

(c) Special Blocked Nationals. During the past month some sixteen persons in Latin America were designated as special blocked nationals. In conjunction with the administrative staff, our study as to the scope of circulation of the lists of Special Blocked Nationals and the standard of conduct required of the United States concerns in Latin America is continuing. (Messrs. Lesser, Lawler and Moskovitz)

An informal committee consisting of representatives from each interested branch of the Department - Monetary Research, General Counsel's Office, Licensing Division and Inter-American Controls Section of Foreign Funds Control - was constituted last month to meet regularly once a week to discuss licensing, enforcement and policy questions with respect to problems arising in Latin America. (Messrs. Lesser and Moskovitz)

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(d) Insurance Problems. The State Department was requested to obtain information from the United States Mission in Nicaragua relative to insurance being placed with American insurance companies for the benefit of Proclaimed List nationals through the Banco Nacional of Nicaragua. The Banco Nacional has recently insured Proclaimed List property in apparent violation of the insurance instructions of January 17, 1942. (Mr. Kehl)

The United States Mission in Mexico is being requested to investigate efforts of La Indo-Latina, local Mexican insurance company, to place facultative reinsurance with the Holborn Panamerican Corporation on Proclaimed List risks including the I. G. Farben subsidiary in Mexico. Three applications filed by Holborn Panamerican Corporation for licenses to reinsure such Proclaimed List risks are being held pending receipt of this information. (Mr. Kehl)

(e) Export control. A memorandum has been drafted proposing that the British amend the form of Navicert application for export from Latin America so as to require the disclosure of full information as to the manner in which and the persons by whom, the transaction is to be financed. The memorandum also proposes that the British field authorities submit Navicert applications to Washington for consideration at the same time that they are submitted to London. (Messrs. Lesser and Linville)

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5. Hawaiian Program (See March 1943 report, item 79)

(a) General License No. 68A. The Secretary of War replied to our letter of February 27, 1943, in which we suggested treatment similar to that embodied in General License No. 68A for Hawaii. He stated that his representatives in Hawaii felt that the Foreign Funds Control program there should not be substantially relaxed. He requested copies of any drafted proposals which might have been prepared by the Treasury Department and asked to be advised if it was decided to proceed further with this matter. We prepared an acknowledgment of the Secretary's letter, stating that the question is still under consideration by the Treasury Department and no documents incorporating any particular proposals have been drafted. We stated that we would advise the Secretary of War if it should be decided to proceed further with this matter.

(b) Currency regulations. A letter was received from Mr. Tree asking whether the Treasury Department would object to the discontinuance of the use of Forms TFR-H29 and TFR-H30 in Hawaii. These forms are used in connection with the regulations relating to currency, the first being executed by persons who desire to obtain currency of other than Hawaiian series to take out of the Territory, and the second

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being required to be executed by persons who deposit such currency in a bank in Hawaii. A cable was prepared advising Tree that the Treasury Department has no objection to the discontinuance of the use of these forms if the office in Hawaii is satisfied that the program will not suffer thereby. The cable was sent April 30.

(c) Amendments to licenses. A proposal was received from the Hawaii office for the revocation of General License No. H-3, which relates to the payment to nationals of Japan of wages, salaries, and commissions, and the amendment of General Licenses Nos. H-2 (living expenses) and H-16 (withdrawals by internees in Hawaii). A meeting is to be held to discuss this proposal. (Mr. Johnston)

6. Acquisition of Chinese Currency to Pay for United States Expenditures in China (See February 1943 report, item 83). The problem of financing our expenditures in China has been a difficult one because conversion of United States dollars into Chinese currency at the official rate of exchange does not provide a proper or equitable purchasing power in China for our personnel or procurement officers. In order to remedy this situation, this office participated in the preparation of a proposed agreement between the United States and China whereby additional

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Chinese currency would be provided to the United States under reciprocal lend-lease. This office also participated in the drafting of a memorandum to be signed by the President prescribing the procedure pursuant to which such Chinese currency would be obtained and would be allocated among the various interested United States agencies. The principal difficulty which had to be overcome was the objection both on the part of the Chinese Government and our own to dealings at special rates of exchange. In order to overcome this difficulty the proposed procedure contemplates that personnel whose pay is stated in terms of dollars will receive such pay in Chinese currency converted at the official rate of exchange, and will also receive an additional amount to compensate them for the differential in the cost of living, such additional amount to be determined in accordance with a formula to be prescribed from time to time by the President on the recommendation of the Secretary of the Treasury. It is expected that inter-departmental meetings will be held during the month of May at which these proposals will be submitted for final consideration. (Messrs. Aarons, Minskoff and Johnston)

7. International Stabilization Fund A memorandum was prepared dealing with the Executive's legal authority to enter into an agreement pursuant to which the United

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States may participate in the proposed International Stabilization Fund. The memorandum also dealt with the question of whether the quota of the United States could be contributed to that Fund by a transfer to it of all or part of the inactive $1,800,000,000 of gold presently held in the United States Stabilization Fund. It was pointed out that the Secretary of the Treasury clearly had authority to enter into international agreements for the purpose of carrying out the objectives of the statute setting up the United States Stabilization Fund. In view of the fact that the objectives of the International Stabilization Fund are practically identical with those sought to be attained by the United States Stabilization Fund, the point was made that the use of the United States Fund for the purpose mentioned was well within the purview of the statute.

However, attention was called to the fact that the particular draft of the International Stabilization Fund presently being considered contained provisions which contemplated affirmative action to be taken after the date set for the expiration of the authority pursuant to which the United States Stabilization Fund is operated. (Messrs. Minskoff and Brenner)

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8. International Stabilization Fund Conferences. During the month of April a series of conferences were held with technical experts of the Canadian, Dutch, and Australian Governments regarding the proposed International Stabilization Fund. Mr. Luxford of this office sat in on such conferences which were presided over by Mr. White of the Division of Monetary Research and his assistants. Representatives of the State Department, Board of Economic Warfare and the Board of Governors of the Federal Reserve System also participated.

9. Inter-Allied Subcommittee on Acts of Dispossession (See February 1943 report, item 82). It will be recalled that at the time the Inter-Allied Declaration was published, reference was made to the formation of an Inter-Allied Subcommittee on Acts of Dispossession. The function of this subcommittee was primarily that of a fact-finding body which was to do the necessary research in order to determine the adequacy of the existing legislation of the various allied countries which participated in the Declaration. This Department notified the Department of State of its interest in the subject matter of the deliberations of this subcommittee. The Department of State, noting Treasury's interest in and familiarity with the legislation of the United States

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pursuant to which acts of dispossession could be invalidated, communicated with this Department, requesting that a memorandum be prepared setting forth the legal provisions effective in the United States of America under which transfers and dealings may be invalidated. Such a memorandum was prepared and forwarded to the Department of State. Similar memoranda had been or were being prepared by other allied countries with respect to their own legislative controls. (Messrs. Minskoff and Golding)

10. Dutch Decrees (See March 1943 report, item 93). In addition to the original vesting decree of May 24, 1940, the Netherlands Government on March 6, 1942, issued a decree dealing with property interests appertaining to persons in certain Netherlands possessions; and on May 7, 1942, it issued a further decree for the purpose of clarifying some of the terms contained in the two previous decrees.

Thereafter, the State Department transmitted to the Secretary of the Treasury the official English translations of the two later decrees, together with the covering letters sent by the Dutch Ambassador to the Department of State, and indicated that it desired the Treasury Department to take the same steps to give publicity to the later decrees that had been adopted in the case of the May 24, 1940 decree. Accordingly, this department wrote to each of the Federal

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Reserve Banks, informing them of the communications received from the Secretary of State and stating that it was having the documents therein referred to printed in a pamphlet, copies of which would be available for distribution to all interested banks and other interested parties for their information. Each of the Federal Reserve Banks was requested to notify this Department of the number of such pamphlets with which it desired to be furnished. It is contemplated that approximately 32,000 copies of the pamphlet will be distributed. (Mr. Minskoff)

11. Enforcement and Investigations (See March 1943 report, item 82).

(a) Criminal Cases. Ernesto Allu, Jose Salas and Oscar Luna, Chilean merchant marine officers, pleaded nolle contendere in the Federal District Court at New Orleans, La. to an indictment charging them with unlawfully importing United States currency in violation of General Ruling No.5. (See February 1943 report, item 74(b)). They were sentenced to the time served since the date of their arrest plus thirty days. Proceedings have been instituted to forfeit the cashier's checks which they purchased with the smuggled currency. The three prisoners were arrested by Customs agents, after consultation with this office, after their ships had left the port of New Orleans and were on their way to sea.

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When they were apprehended, the proceeds of the illicitly imported currency, i.e., casher's checks on American banks, were found on their persons. (Mr. Lesser)

A criminal report has been transmitted to the Attorney General charging a New York lawyer prominent in German-American circles with filing false TFR-300 reports and failing to file TFR-300 reports. It is alleged that his motive was to conceal the German ownership of certain certificates of stock which had been placed in his custody for safe-keeping. (Messrs. Lesser and Schwartz and Miss Mayer)

A criminal report has been prepared which charges a naturalized citizen of German birth with filing a false TFR-300 report for the purpose of concealing the German ownership of certain certificates of stock. Consideration is now being given to the reference of this report to the Attorney General. (Messrs. Lesser, Schwartz and Carolan).

(b) Administrative Enforcement. Andre Meyer, Pierre David-Weil and Marcel Moser of Lazard Freres & Cie., Paris, and Frank Altschul and Louis N. Singer of Lazard Freres & Co., New York, were examined in connection with the apparent violations of the Order disclosed by an investigation of the New York firm conducted in connection with its application to admit Meyer and Weil as partners. The commission of the

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violations was readily admitted. The disposition of the application is receiving active consideration. (Mr. Lesser)

Maurice Boyer was examined in connection with his application to be restored to the privileges of General License 42. The examination revolved principally about Boyer's part in an apparent violation of the Order uncovered in the course of an investigation of the accounts of the Banque Francaise et Italienne pour l'Amerique du Sud. Although other parties to the transaction appeared voluntarily and conceded that it violated the Order, Boyer testified that it took place prior to the effectiveness of the Order as to nationals of France. The transaction consisted of transferring over a million dollars from accounts of the B. F. I. with the Chase National Bank to special accounts at the same bank in the names of Argentine and Uruguayan banks on June 14, 1940. (Mr. Lesser)

(c) Investigations. The investigation of the Hoffman-La Roche companies has been completed with the interrogation of the last witnesses. Active consideration is presently being given to the report and certain pending applications. During the next two weeks it is expected that recommendations will be submitted with respect to the future regulation of the companies' businesses and affairs. (Messrs Lesser, Lawler, Parker, Schwartz and Linville)

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A final report of the investigation of General Aniline & Film Corporation has been completed and recommendations to be made to the Alien Property Custodian are receiving active consideration. (Messrs. Lesser, Lawler and Linville)

A final report of the investigations of Ciba, Sandoz and Geigy is presently in the course of preparation, and recommendations for the future regulation of these companies are receiving active consideration. (Messrs. Lesser and Kutash)

(d) Studies. Memoranda were written for the Department of Justice, The State Department and the Board of Economic Warfare, pursuant to their several requests, with respect to Jorge Caputo, Richard Wolfe and Associated Metals and Minerals Corporation, respectively. (Messrs. Lesser, Ackermann, Carolan and Kutash)

A study is in progress to collate all information available with respect to attorneys who have been blocked ad hoc, with the view of formulating a means of better regulating their activities. (Messrs. Lesser, Lawler, Alk and Cassoday and Miss Klein)

12. Hearings (See March 1943 report, item 84). A consolidated hearing was held to afford the Swiss-American Corporation and the Credit Suisse, New York Agency, an opportunity to explain the apparent violations of the Order

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and the Regulations disclosed by the field investigations conducted with respect to such institutions. (See February 1943 report, item 74(a)). The testimony given by the officers of both companies confirmed the investigators' conclusions that false and incomplete TFR-300 reports had been filed by both companies. The testimony further confirmed that the present manager of the Credit Suisse, New York Agency, had, prior to December 7, 1941, advised an Italian resident in Argentina that he might conceal securities held by him in the United States from United States authorities by transferring them to the omnibus accounts of Argentine banks with American banks. It further confirmed that the former joint manager of the Agency advised its home office, after May 10, 1940, but prior to June 17, 1941, to advise a Dutch client to open her account in the name of her Swiss brother so as to avoid freezing control. The hearing also confirmed that the Swiss-American Corporation failed to open sealed envelopes known to contain the names and nationalities of the true owners of certain accounts maintained with it by Swiss banks. At the close of the hearing counsel for both companies readily conceded that his clients had engaged in many violations of the Order and the Regulations. He stated, moreover, that steps had already been taken to file corrected TFR-300 reports, and to assure against further violations. (Messrs. Lesser and Ackermann)

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Hearings on applications to be unblocked were held in the following cases: Herman Muhlenbroch; E. H. Dedrick; Henry Miller; San Miguel Hermanos; Henry A. Lube. (Messrs. Lesser, Kutash, Cassoday and Linville)

13. Securities (See March 1943 report, item 85). Work continued on the redrafting of the proposed public circular curtailing the freedom of omnibus accounts. The circular will prohibit sales of securities out of omnibus accounts or the depositing of securities into omnibus accounts unless certain disclosures have been made. (Mr. Lesser)

14. Currency Control A proposed order (and memorandum in support thereof) vesting the currency and the proceeds of the currency supplied to the convicted Nazi saboteurs by the German High Command has been drafted. The money involved, amounting to over $170,000, was brought into the United States by the would-be saboteurs when they landed in Florida and on Long Island from German navy submarines. (See January 1943 report, item 64(b)). (Messrs. Lesser and Cassoday)

15. Patents Problems (See March 1943 report, item 87). A conference was held with representatives of the Administrative Staff relative to the policy to be followed on payment of Government fees and attorneys' fees in patent matters

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affected by General License No. 72. It was decided that debits to blocked accounts of enemy nationals should not be permitted for the payment of such fees with respect to new matters arising after November 17, 1942, when General License No. 72 was amended. It was also decided that debits to blocked accounts of nationals in the territory previously constituting unoccupied France should be permitted where the instructions for payment had been received and the services had been substantially performed prior to November 8, 1942. (Messrs. Kehl, Cassoday and Alk)

16. Trade and Communication with Enemy Nationals (See March 1943 report, item 88). The study of specific problems and violations arising in connection with transactions by United States concerns in the European neutral countries with enemy nationals continued. During the past month letters involving these problems were sent to the United States Rubber Company and Eastman Kodak; others were prepared for transmission. A conference was had with a representative of the United States Rubber Company and the full and active cooperation of that concern was obtained to the end that it instructed its representative in Switzerland to comply with General Ruling 11 in all respects as a standard of conduct and to consult with and obtain the advice of the Mission. (Messrs. Lesser, Lawler and Moskovitz)

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Circular instructions were prepared and issued to the Missions in conjunction with the State Department, dealing with the handling and processing of applications involving enemy nationals who are not Proclaimed List nationals. This circular, which is intended to eliminate the confusion which has arisen in certain Missions as to the handling of applications, delegates authority to the Missions to act in certain types of cases and outlines those in which action may be taken only in Washington. (Messrs. Aarons and Moskovitz)

During the past month continued consideration and study was given to various licensing problems arising in connection with applications to engage in transactions involving enemy nationals. (Messrs. Lesser and Moskovitz)

Active consideration is being given to the action to be taken as the result of the investigation of the Corn Products Refining Co. which disclosed that its 100% owned Argentine and Brazilian subsidiaries knowingly engaged in trade with Proclaimed List nationals, with the knowledge and apparent consent of their parent. (Messrs Lesser and Schwartz)

As a result of a request from the State Department that a resident of Spain be listed as a specially blocked

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national, it was decided to expand our activities along these lines to cover persons other than those in Latin America. Last month one person in Iceland was so listed. The Confidential Circular defining and setting forth the procedure for dealing with special blocked nationals is being revised so as to provide, among other things, that the certifications referred to in the neutral European licenses do not cover special blocked nationals, and that the removal of a name from the list of Special Blocked Nationals does not affect the status of that person as a blocked national under the Executive Order. (Messrs. Lesser and Moskovitz)

The work of revising General Ruling No. 11 has continued. (See February 1943 report, item 79). (Messrs. Aarons, DuBois, Alk, Daum and Moskovitz)

17. Control of Traffic in Financial Instruments (See January 1943 report, item 61; March 1943 report, item 89). As a result of conferences with the Administrative and legal staffs, further drafting work is being done on proposed General Ruling No. 5A, which will prohibit the importation and exportation of certain negotiable instruments. (Mr. Aarons and Mrs. Rogan)

18. Property Census Reports (See March 1943 report, item 90). Work in connection with the preparation of

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Form TFR-500 has continued, including redrafting of the form and circular, and drafting of a press release, letters to the Federal Reserve Banks and all banks in the United States, and publicity posters. In addition, questions raised by interested groups have been discussed and answered. It is expected that the announcement of the new census will be made May 31, 1943. (Mr. Reeves and Mr. Arnold)

19. Alien Property Custodian Relations (See March 1943 report, item 91).

(a) Conferences were held with representatives of the Alien Property Custodian for a discussion of various mutual problems, including the manner of the Treasury Department's releasing control of cases in which the Custodian has assumed jurisdiction but where non-enemy blocked interests remain. At the Custodian's request, a memorandum is being prepared for him on this matter. (Miss Klein)

(b) Other matters discussed with the Custodian's representatives were the respective jurisdictions of the two agencies over business credits, inter vivos trusts and non-enemy owned patent holding companies and the Treasury Department's views on attachments of blocked assets.

(c) The State Department has made seemingly conflicting statements as to the status of Austria as enemy or enemy-occupied territory. It was agreed that the matter would be

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discussed with State Department by the Custodian's office and Treasury Department for the purpose of securing a definitive answer. (Messrs. Alk, Reeves, Miss Klein and members of the Administrative Staff)

(d) Treasury Department jurisdiction in about 275 cases was released at the request of the Custodian after he had assumed jurisdiction. Several of these cases presented problems as to the respective jurisdictions of the two agencies. These cases were discussed and it was finally decided that the Treasury Department would interpose no objection to the Custodian's assuming jurisdiction. (Miss Klein and members of the Administrative Staff)

(e) Approximately 30 cases concerning blocked estates in which attorneys had applied for licenses authorizing payment of their fees were studied and were referred to the Alien Property Custodian for consideration. (Messrs. Alk, Kehl, Miss Klein and members of the Administrative Staff)

20. License Problems (See March 1943 report, item 83).

(a) Policy with respect to the Withdrawal, Release, or other Disposition of Blocked Assets of Enemy and Enemy-Occupied Countries and their Inhabitants. Further work has been done on the drafting of a press release announcing the Department's policy with respect to release of such blocked funds. The

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press release will embody a statement of the policy against permitting preferential payments. (Messrs. Reeves, Alk, Kehl and Moskovitz)

(b) Liquidation of Assets of Blocked Corporations. Conferences were held with persons seeking to liquidate assets of corporations in receivership or reorganization. (Messrs. Reeves and Alk)

(c) Attachment cases. Conferences were held relative to the attachment action involving oil on the Yugoslavian Steamship Bosiljka. In view of the fact that the Yugoslavian Government in London has agreed to make no objection to attachment of the oil on behalf of British oil interests, it was decided not to act upon the application for a license approving the transaction until a conference had been held with the Yugoslavian Minister and the British Legation with respect to their interests in the matter. (Messrs. Reeves, Alk and Kehl)

(d) Generally licensed banks. In conjunction with the Administrative Staff, a study is being made of the advisability of combining the general licenses conferring generally licensed national status upon the foreign and domestic offices of certain banking institutions and of adding thereto in a public general license the names of

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about one hundred of these banking offices which have been given generally licensed national status by specific license. In this connection, it is intended to coordinate and make uniform the terms and conditions upon which such status is granted. This study is made in the light of the amendment to General License 53 which permits any bank in the generally licensed trade area to engage in any transaction for a blocked national in that area as though that transaction were solely for the account of such bank. (Mr. Moskovitz)

(e) Release of securities from Omnibus Accounts. Many cases are arising involving the question of ownership of securities held in omnibus accounts in the name of banking institutions located in enemy occupied countries. Documents of varied types are presented to support the claims of ownership. In some cases these documents are dated before the inception of freezing control but in the majority of cases they appear to have been executed after the territory involved was overrun by the enemy. This office is cooperating with the licensing division in analyzing such documents for the purpose of determining whether the chain of title is satisfactorily established. A policy is being followed of not releasing securities from omnibus accounts unless the proof of ownership is clear and convincing and

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is based upon documentary evidence. (Messrs. Alk, Kehl, Cook and Smith)

(f) General License under Section 2A(2) of the Order. A conference was held with members of the Administrative Staff concerning a proposed general license under Section 2A(2) of the Order which will authorize the acquisition and transfer of any securities physically situated in the United Kingdom, Canada, Newfoundland, or Bermuda and of local issues in countries in the generally licensed trade area.

As a result of discussions at the conference, a draft of such a license is in preparation. It will limit purchases of local issues in the generally licensed trade area to bonds payable in local currency and situated in the country of issue. (Messrs. Aarons, Alk and Mrs. Rogan)

(g) Silesian-American bonds. A conference was held with Mr. Max Winkler, Chairman of the Bondholders Protective Committee for Silesian-American bonds, and his counsel, Mr. Bernstein, relative to the possibility of reopening the Department's denial of applications by Swiss banking interests to lend money to Silesian-American Corporation for the purpose of paying bondholders. It was indicated that the Department would not be disposed to approve any application which might have the effect of transferring to

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European ownership the interests of persons in the United States in the Silesian-American properties in Germany and Poland. Various proposals advanced by the representatives of the bondholders were discussed. It was pointed out that all of such proposals resembled transactions which the Department had declined to license on prior applications. (Mr. Kehl)

(h) Funds of alien seamen. A study was made of a problem presented by the Immigration and Naturalization Service of the Department of Justice with regard to the release of funds taken from alien seamen who have been picked up for return to sea duty. A letter has been drafted authorizing the return of these funds in amounts less than $2,500., provided that such funds were not brought into the United States illegally. (Messrs. Lesser and Kutash)

(i) Consumer Enterprises in war relocation centers. (See February 1943 report, item 77(c)). The preparation continues of proposed licenses and other documents incident to the organization and operation of co-operatives and credit unions at war relocation centers. (Messrs. Lesser and Linville)

(j) Miscellaneous. Studies were made with respect to applications to be unblocked in the following cases:

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Turbin Engineering Co. Inc.; Ch. Ch. Stzehn; Phoenix Shipping Co. Inc.; Ferro Metal and Chemical Corp.; George J. Farber; Julius Weltzein; Hans P. Kneipkamp; Otto Fricke; Jacob S. Cohen; Paul Gutschow. (Messrs. Lesser, Minnich, Linville, Kutash and Carolan).

Conferences were held with counsel for the following applicants: Phoenix Shipping Co. Inc.; Antoine Gazda; Maurice Boyer. (Messrs. Lesser, Carolan, Linville and Minnich).

21. Miscellaneous Studies, Memoranda, and Legal Problems (See March, 1943 report, item 94).

(a) Bill to provide for the independence of Puerto Rico. Bill S. 952 (78th Congress, 1st session) was studied with a view to ascertaining any possible Treasury interest with respect to its application to monetary and Foreign Funds Control matters. It was concluded that the interest of the Treasury Department is of minor importance compared with the broad question of legislative policy which is involved. (Mr. Johnston)

(b) Assessment of fees or charges against blocked assets for the payment of the administrative expenses of Foreign Funds Control. A comprehensive survey was made to determine the legality of such a measure and the form in which the charges should be assessed. A study was made of the practice of the Alien Property Custodian in the last war, provisions in the laws and regulations of other countries which have foreign funds controls, cases involving the legality of such charges,

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the legal authority of Foreign Funds Control to make such charges, and the legal authority to use the money once it has been received. At the present time a comprehensive report is being prepared covering the above material. (Mr. Smith)

(c) Section 127 of the Internal Revenue Code. Members of the Legal Division have been meeting with representatives of Internal Revenue to determine when a Treasury license is required before a taxpayer can engage in certain transactions or make certain entries so that he may deduct from his gross income his war losses under Section 127 of the Internal Revenue Code. A public document is being prepared so that there will be no confusion among taxpayers as to which of such transactions and entries require a Treasury license. (Messrs. Alk, Cook, and Arnold)

(d) Foreign Exchange. (See March, 1943 report, item 34(e)). The study of applications to make remittances or to receive remittances from Switzerland, was continued in connection with current foreign exchange problems. (Messrs. Lesser, Carolan and Miss Mayer)

(e) Withholding tax on investment by Chinese Stabilization Board. Under the Stabilization Agreement with China, the Stabilization Board of China maintains a dollar account with the Federal Reserve Bank of New York. It has recently invested a portion of this account in Treasury certificates of indebtedness. The Federal Reserve Bank requested a ruling on the question

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of whether it was required to withhold a portion of the income from this investment in order to pay a tax on income of aliens. This office discussed the question with the Bureau of Internal Revenue and it was determined that on the basis of the known facts, it was impossible to ascertain definitely whether there were any private interests in the profits. After clearance with administrative officers of the Bureau of Internal Revenue, the Federal Reserve Bank was advised that no action should be taken either by way of withholding or filing an information return. (Messrs. Aarons and Brenner)

(f) Effect of nullification of license. In connection with the proposed nullification of the license issued to Ore & Chemical Company (See March, 1943 report, item 82(b)), a study is being made of various legal questions involved, including the legal effect of a nullification of a license upon a transfer of stock effected under such license. (Mr. Smith)

(g) Dulles' Lecture. A summary has been prepared of Mr. John Foster Dulles' lecture at the New York Bar Association on The Vesting Jurisdiction of the Alien Property Custodian. (Miss Klein)

(h) Arpad Plesch case. (See February, 1943 report, item 80(e)). Arpad Plesch, a Proclaimed List national, has instituted suit in Switzerland against the American Express Company for the payment of American Express Travelers' checks

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which he bought up in Europe. The payment of such checks under such circumstances is prohibited by the freezing Order but doubt exists as to the extent to which Swiss courts will give extra-territorial effect to the Order. In connection with this situation, a study has been made of certain tax cases pending against concerns owned by Plesch, and of pending applications by his attorneys to represent such companies and to communicate with him. This study is being made for the purpose of determining what sanctions can be applied against Plesch in the event he continues the law suit. (Messrs. Alk, Golding, Smith, and Miss Klein)

(i) Post-war. (See March, 1943 report, item 94(a)). Continued consideration and study is being given to international financial and economic post-war problems. (Mr. Minskoff)

(j) Rulings. Legal rulings included the following:

A license under Section 2A(2) of the Order is necessary for the executrix of an estate to forward to England a certificate of stock in an English company for the purpose of having such stock transferred to the trustees under a testamentary trust created by the will of the decedent.

A license is not required under Section 2A(2) of the Order for the adoption of a resolution to retire stock physically situated outside the United States or for the issuance and transmission of appropriate notices with reference thereto. However, any payment, transfer, or other disposition of the

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call price of stock physically situated outside the United States may be effected only pursuant to license.

General Licenses Nos. 4 and 5 apply to estates being administered under General License No. 30A. (Messrs. Alk and Kehl)

22. Silver.

(a) Celler amendment. In connection with the Celler amendment to the Treasury Appropriation Act for 1944, which would prohibit the use of the appropriation for the purpose of carrying out any of the provisions of the Silver Purchase Acts, a letter was prepared to Representative Ludlow, indicating the problems which would be raised by the adoption of the amendment. The Department took the position that this type of legislation was undesirable since it did not clearly change the duties of the Secretary of the Treasury, although it took away the funds necessary for the performance of those duties. Representative Ludlow was also furnished with a detailed description of the effect which the amendment would have on present operations. (Messrs. Aarons & Brenner)

(b) Lend-Lease of Free Silver. Arrangements have been concluded with the Lend-Lease Administration and the British under which approximately three million and seventy-five thousand ounces of silver will be transferred to the British under the Lend-Lease Act from the stocks of Treasury free silver;

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and consideration will be given to making other such transfers in the future. Great Britain has agreed to return to the Treasury an equivalent number of ounces of silver as soon as possible after the termination of the war. Lend-Lease is making payment to the Treasury of 71 1/9 cents for every troy ounce of fine silver delivered; the silver will be returned to the Treasury for the account of Lend-Lease; and Treasury has agreed to purchase any silver so returned from Lend-Lease at 71 1/9 cents per fine troy ounce unless the laws of the United States at the time of the receipt of the silver prevent such purchase. (Messrs. DuBois and Brenner)

23. Gold.

Banque d'Etat du Maroc requested that it be permitted to buy gold with part of its funds held in the United States. A cable was prepared indicating the terms on which gold would be sold and suggesting that the request might be used to obtain information concerning present gold holdings in North and West Africa. (Messrs. Aarons and Brenner)

It was learned that the Central Bank of Argentina was contemplating the exportation of a large quantity of gold held on earmark by the Federal Reserve Bank of New York. Although the Treasury did not favor the exportation to Argentina, it was found that such action could be prevented only by amending the existing gold license held by the Federal Reserve Bank.

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Since this was felt to be undesirable, arrangements were made with the State Department to block any attempt of the Central Bank to obtain shipping space for the gold. (Messrs. Aarons and Brenner).

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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau June 22, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Subsidies - Determined Congressional opposition to the Administration's food subsidy program, expressed so violently last Friday in House action slashing OPA funds and prohibiting any rollback of prices through subsidies, appears to be wavering. In House consideration of the Commodity Credit Loan Bill expected tomorrow, Representative Jesse Wollcott will attempt to modify the anti-subsidy rider to permit the government to perform on subsidies already promised this season. The Senate Banking and Currency Committee is also expected to consider tomorrow changing the anti-subsidy amendment to the Senate CCC Bill to permit a limited subsidy program, possibly $500,000,000, which would be sufficient to finance the planned rollback of coffee, meat, and butter, or $250,000,000 for the RFC for subsidy rollbacks as suggested by Senator Taft. The measure may then be taken up in the Senate on Thursday. However, even a limited subsidy program still faces very determined opposition in the House from Representative Dirksen, who led Friday's coup d'etat, and in the Senate from Senator McKellar.

2. War Appropriations - Without deleting a single major item recommended by their Appropriations Committee and without one dissenting vote, the House passed yesterday and sent to the Senate the record-breaking War Department Appropriation Bill of some 71.5 million dollars.

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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. 90 - Aircraft Despatched - for week ended June 15, 1943.

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

June 22, 1943.

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MOST SECRET

STATEMENT NO. 90

Aircraft Despatched from the United States

Week Ended June 15th, 1943

| TYPE | DESTINATION | ASSEMBLY POINT | BY SEA | BY AIR | FLIGHT DELIVERED FOR USE IN CANADA |
|---|---|---|---|---|---|
| BREWSTER | | | | | |
| Bermuda | Canada | Canada | | | 2 |
| CONSOLIDATED | | | | | |
| Catalina IV | U.K. | U.K. | | 1 | |
| Liberator GR V | U.K. | U.K. | | 1 | |
| CURTISS | | | | | |
| Seamew | U.K. | U.K. | 3 | | |
| DOUGLAS | | | | | |
| Dakota III | U.K. | U.K. | | 2 | |
| FAIRCHILD | | | | | |
| Fairchild PT 26 | India | Bombay | 4 | | |
| LOCKHEED | | | | | |
| Hudson III A | U.K. | U.K. | | 16 | |
| GLENN MARTIN | | | | | |
| Baltimore IV | M.E. | M.E. | | 5 | |
| Marauder I | M.E. | M.E. | | 1 | |
| Maringer GR I | U.K. | U.K. | | 1 | |
| NORTH AMERICAN | | | | | |
| Mitchell II (B25C) | U.K. | U.K. | | 12 | |
| Mitchell II (B25D) | U.K. | U.K. | | 2 | |
| Harvards | S'Africa | Capetown | 6 | | |
| Harvards | India | Bombay | 34 | | |
| Mustang | U.K. | U.K. | 16 | | |
| VULTEE | | | | | |
| Vengeance | India | Bombay | 4 | | |
| VEGA | | | | | |
| Ventura GR V | Canada | New Brunswick | | | 4 |
| | | Total | 67 | 41 | 6 |

British Air Commission
Movements Division
June 19, 1943.

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NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET

U.S. SECRET

OPTEL NO. 203

Information received up to 7 a.m., 22nd June, 1943.

1. NAVAL

One of H.M. Submarines on patrol outside the STRAIT OF MESSINA sank an armed merchant Cruiser of 7,000 tons and a medium-sized ship.

2. AIR OPERATIONS

WESTERN FRONT. 20th/21st. FRIEDRICHSHAVEN. All bombers landed safely in NORTH AFRICA. Photographic reconnaissance reveals severe damage to the works. 21st/22nd. Aircraft despatched: KREFELD - 704, [illegible] FRANCE - 16, HAMBORN - 1, Intruders - 36. The attack on KREFELD was well concentrated and numerous large fires were started. 44 Bombers missing and 1 crashed in U.K. 22 enemy Fighter Bombers operated over the southeast coast, of which 5 penetrated to LONDON. 8 Bombers were over the SOUTHAMPTON/SALISBURY area. 1 enemy aircraft was destroyed. A few bombs were scattered over 5 southern Counties and 2 were dropped in the LONDON area. Only 1 fatal casualty reported.

MEDITERRANEAN. 18th/19th. A torpedo Wellington severely damaged a ship off CORSICA.

SICILY. 19th/20th. Wellingtons made 2 attacks on MESSINA, dropping a total of 150 tons. 20th. BORIZZO and CASTELVETRANO airfields were attacked by 55 escorted Marauders, 16 M.E. 109's were shot down, 4 Lightnings missing.

Correction to OPTEL NO. 201.

SARDINIA. 2nd line. "and GOLFOFRANCI."

to read: "and GOLFO ARANCI"

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June 23, 1943
11:05 a.m.

FINANCING

Present: Mr. Bell (Chairman)
Mr. Haas
Mr. Murphy
Mr. Eccles
Mr. Ransom
Mr. Rouse
Mr. Sproul
Mr. Paddock
Mr. Evans
Mr. Piser

MR. BELL: We might give you the figures as we have them.

We will go out of June with a balance of about eight billion dollars, assuming that we get our taxes. They seem to have fallen off a little in the first twenty days, but we hope we will get them in the last ten.

And including the financing we now have under consideration, we will go out of July with about five billion six, and go to September with about two billion. That isn't quite enough to last us until September 15 when we get our new money from the drive, but we could run an overdraft for a few days, or we could get some additional money on the August 1 certificate maturity - a half a billion or possibly a billion.

We will need approximately twenty billion dollars in the three months, September, October, and November, and that includes the continuous sale of savings bonds and tax notes.

So, in September we would have to raise in the drive, plus whatever subsequent bank financing we want, approximately fifteen billion dollars.

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MR. EVANS: That is the drive for the public?

MR. BELL: Yes. We haven't set any figure yet for the drive, but we will need, over and above our normal sales of savings bonds and tax notes, fifteen billion dollars for those three months, which would take us into December with about two and a half billion dollars.

I think maybe Marriner--

MR. SPROUL: You need twenty billion for September, October, and November?

MR. BELL: Yes. And that includes, I think, about five billion dollars that we will get on savings bonds, tax notes, and Treasury bills. So it leaves fifteen billion dollars that we have to raise in the drive and bank financing.

MR. ECCLES: During September, October, and November?

MR. BELL: That is right.

MR. ECCLES: What about December? Do you get enough in tax money?

MR. BELL: No, we won't get enough in tax money. We have to have another drive either in December or increase the first three months to carry us over.

MR. ECCLES: Could you do bank financing and taxes in December?

MR. BELL: We could do bank financing to carry us over to January, you mean?

MR. ECCLES: Yes.

MR. BELL: There is some question as to whether we shouldn't have a drive in December in order to get as much money in this year as possible of the eighteen billion dollars we have been talking about.

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MR. HAAS: And the Christmas money, too.

MR. BELL: Yes. Personally, I would like to see a drive begin before Christmas and run over into January - about the 10th - in order to get the new money in January, as well as get the Christmas money if we can.

MR. ECCLES: December would be all right for a drive if you get scheduled on a four-months basis, which may be a good thing; instead of trying to get so much twice a year, get a little less three times a year. Have it in September, then December would be the logical period again.

MR. BELL: That would be every three months - every quarter.

MR. ECCLES: No, September, October, November, December - that would be four months.

MR. SPROUL: You can't count both months. (Laughter)

MR. BELL: The September drive--

MR. MOUSE: Figure the number of months between the drives.

MR. ECCLES: You have got to include one of the months, haven't you?

MR. SPROUL: Yes, just one. (Laughter)

MR. ECCLES: When is your tax period?

MR. BELL: You could have drives in those tax months.

MR. ECCLES: That is right. It seems to me you ought to get your drive scheduled on either six-months or four-months basis. It would be much easier to plan your financing, it seems to me. You know about the money you need, and you know about what you are going to get in taxes, and it would make it a much more - it would make it an easier program, I would think.

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MR. SPROUL: It is much more consistent to the drive method - the period of preparation and the period of mopping up afterwards. Anything more than every four months, it seems to me you would be having one continuously. I don't think you can do that.

MR. ECCLES: Four months would be the shortest period, and then one bank financing in between each drive - if you could do that, that is, outside of such things as refunding the bills and certificates that may be coming due. I mean, one bond or note financing for banks in between, and a drive each four months, and you get a picture of just exactly what we have to do.

MR. BELL: That means that your September drive has to be substantially increased, then, over the figure that I mentioned here.

MR. ECCLES: Yes.

MR. BELL: I wonder if the first thing to discuss isn't the question of whether there is any relation between the two and a half billion dollar offering, or the type of security you put out for that, and some type of security that you include in the basket.

MR. ECCLES: We discussed that over there this morning for a little while, and we feel there is a real relationship, that certainly what you are going to put out now should be considered in connection with what you might put out in the drive in September.

I might say this, Dan, that we were unanimously and rather strongly in favor of a two percent bond at this time for this reason; that in the first place, there is really no need of financing right now except a market problem, and I for one have felt that the Treasury financing should be based upon a Treasury need for funds, rather than on a market problem, but apparently the Treasury decided to do some financing now.

I wouldn't have done it now if it had been me, but they apparently have decided to do some, so that being the

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case - and they are doing it because of somewhat of a market situation, which I think would correct itself as the reserve picture changes through the reduction of the War Loan Deposit account - that would level the thing out in part, possibly - but they have decided to make an offering, and I certainly feel that the demand from the banks is for a two percent bond.

That is, not so much the large city banks, but from the middle-sized and smaller - certainly even the larger banks would take the two's, and although they may be just as willing to take the note - but the middle-sized banks and the smaller banks not only want a two - and that is why the market is where it is - but they need a two.

They are paying interest on savings funds. Many of them are still paying two percent - one and a half percent, certainly - one and a half and two - and their loans are being very rapidly paid off. They can't invest their time funds in a two and a half, such as other comparable funds can be invested in, and they are under real pressure, with increasing activity and increasing expenses, to try to compensate for their loss in loans, loss in rates, increased expenses, and inability to buy two and a half's. I think some of them are selling their certificates - some of their bills - and they are buying longer maturities.

I think that if there is going to be financing now, that to give less than a two percent bond - if you didn't give it now, then you would have to give it in September, and in September the banks would be excluded from the financing, as I understand it.

So, if you give a two percent bond in September the banks would be making every effort through individuals and dealers and everybody else, to get the two percent bonds indirectly - paying a premium for them.

MR. BELL: Do you contemplate a two percent bond in the September drive?

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MR. ECCLES: No, I would put the two percent bond now, and put a note in in September--

MR. BELL: Well, I don't get it - the drive--

MR. ECCLES: ... because in September you are going to exclude the banks.

MR. BELL: Won't the banks be after the note the same way they will be after the bond?

MR. ECCLES: No, I don't think so - not to the same extent at all.

MR. BELL: Would you feel the same way about it if we had put the financing off for three weeks, which is about as far as we could have gone?

MR. ECCLES: I think so. I think you needed a two percent bond. I think what your market needs is - you are going to have to have more longer and less shorter papers. As long as we have this pattern picture, that the banks are conscious of this fact - they need the earnings - they are not going to hold the amount of three-eighths bills and certificates. They are going to sell them and buy the longer securities, and their earnings are making that necessary. I don't mean the large city banks that don't pay interest and don't have time deposits.

MR. BELL: That is one reason I had been more in favor of a note. I don't want to get them in the habit of expecting a two percent bond every time we finance and nothing else. We ought to vary it a little.

MR. ECCLES: I don't think you would have it every time. I think that you reach a point here where the relationship between the short paper out and the intermediate and longer paper out is a little better.

We have been putting out an awful lot of certificates and bills during the last - well, during the past year. So the

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ratio of short paper - and excluding the banks from the two and a half's - the ratio of short paper has been very large, and I think it is merely a case of getting a little better balance. And by putting out two percent bonds now - possibly a note the next time the banks come in - would help to balance out their demand, holding down the certificates and bills for a time.

MR. BELL: You wanted a note the last time you were over here.

MR. ECCLES: No, I sent you a wire--

MR. BELL: I mean, in the last drive you were strong for a note. Now we thought we had accommodated you, and now you shift back. (Laughter)

MR. ECCLES: No, I was never for a note. I was for a two percent bond. I was against the certificate.

MR. BELL: You thought we ought to have a note in the last drive.

MR. ECCLES: No, sir; not me.

MR. HAAS: Yes, you did. I remember we said - Dan said you would take it up later on. I think it was your argument against the certificate--

MR. ECCLES: I was against a certificate. So far as the note or the bond - I don't think that was the issue. The thing that I was strongly against was including the seven-eighths certificate in the basket. That was primarily--

MR. BELL: You are in favor of putting out a two percent bond at this time for market reasons?

MR. HAAS: He made his whole argument on the basis of earnings.

MR. ECCLES: Both - I think the demand is great, and it is great for that reason. I gave that as a reason.

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Now it has created here a market situation to where what you are going to have to do is either increase the short rates substantially, or reduce the long rate, or balance out - have less of the short security and more of the long in the market. You are going to have to do one of the three because this thing is out of line and it is very difficult to manage.

Now, you can either raise the short rates, which would be - which would make them a little more attractive to hold, or you would have to try to force down the long rate, which I think would be a very undesirable thing to do.

MR. BELL: What is the total holdings of the Federal Reserve Bank of bills out of the eleven and a half billion we have got out?

MR. ECCLES: The total held by the Fed?

MR. BELL: Yes.

MR. RUSE: Between two and two and a half. It shifts sometimes a quarter of a billion or more a day.

MR. BELL: That isn't bad - two to three billion out of eleven and a half billion.

MR. HAAS: Since the first of the year the Fed absorbed only--

MR. PISER: Since the first of the year we have sold over two billion of notes and bonds, and bought over two billion of bills.

MR. SPROUL: I thought of this in line with your first statement - considered in connection with the September drive, anything you do now in the intervening period - you would have to take a look at that - but the September drive, it seems to me, should be a wholly non-bank drive, and therefore, I think this intervening financing should be solely bank financing.

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The September drive, it seems to me, could well have in it a note, a long-term restricted bond, the Series C notes, and the war Bonds, which would give a basket there which would meet all sections of the market.

But when you come to this June financing, looking forward to that sort of prospect for September, you have two alternatives: one and a half percent note, four and a half years, about, or a two percent bond. Those seem to be the two things that are most appropriate for consideration.

The big city banks, I think, largely, are for a one and a half percent note. I know that is true of the larger banks in New York City. I think it is true of the Chicago banks. Those are the banks without excess reserves; those are the banks whose earnings have been going up during the past year; those are the banks that have some concern about what the political reactions may be to increased bank earnings.

The country banks, the smaller banks in the smaller cities, are the banks which still have what excess reserves there are, and the bank earnings have been going down. They are the banks that have been putting pressure on the market and seeking to buy bonds of intermediate maturity.

It seems to me, from all aspects, that at this time the two percent bond has advantages over the one and a half percent note. It is where the pressure has been in the market, and from a market standpoint and from the standpoint of the banks at whom I think this offering should be directed solely, it is what most of them want - those with excess reserves want.

From the Treasury standpoint, I admit it is not so clear, although it does - that is where the advantage lies. It is purely as a piece of financing to be done at a particular time. It does, however, get your financing - this piece of financing - out to near the limit of what you have decided on as the limit for bank financing, and leaves the note area, which hasn't been touched for almost a year now, for a time when it seems to me that is more clearly indicated. And it would allow for some further expansion, if you need it, in bills and certificates. It would result, just for this

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particular piece of financing, in a little higher interest charge. That is obvious. But I think your concern is not with the interest charge on one particular piece of financing, but on the whole batch of your financing, including bills, certificates, notes, and bonds.

From the Federal Reserve standpoint, with which you also are concerned from the money market and credit standpoint, it has a particular significance, because if a two percent bond is not put out, and pressure continues in that part of the market, as I think it would, it would almost certainly breach the existing pattern of rates which we have maintained during all of this period of war financing, and would result in a lowering of the level of rates.

Now, we never considered--

MR. BELL: You mean if we put out a note?

MR. SPROUL: If we put out a note, yes.

We never considered a pattern of rates as a straight line to peg prices right down the line - comtemplated variations of prices above and below the line. On the other hand, it was a level of rates which we thought should be maintained when we went into the war financing.

In my opinion, at least, the level of rates was low for a most satisfactory financing, having in mind doing as much as possible outside the banks. But we had to take the situation as we found it, and we went in and maintained that level of rates.

I think, to countenance, now, a lowering of that level of rates, would hinder to some extent your main objective of selling as much of your securities as possible outside the banks, because I think the rate of return still has some influence there on investors other than banks. And after taxes, it is not a very enticing rate even as it stands.

I think, even more serious is the postwar period. If we begin now to push up the level of rates, we aggravate

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the situation all along. If in the postwar period there is any wisdom in some advance in rates, we are going to find it very difficult to see it take place because of the very large volume of securities already outstanding, particularly in the hands of the banks, which were put out at lower rates, and which therefore are faced with decline of prices.

MR. BELL: If you put out a bond now, and keep the level of rates you have in mind, won't you have to put it out at a rather high premium?

MR. SPROUL: I think a fairly high premium. And if you were going to be faced, as you suggested earlier, with the necessity of always having to put out a two percent bond - never being able to get away from it - then I think you might have to change now.

I think excess reserves, which are now still up somewhat as compared to where they would have been because of the April drive and because of the change in deposits into War Loan account - I think when those reserves decline further, this pressure for intermediate holdings by the banks will either also decline or else will express itself, not in demand for new securities, but in shift from securities they already have to other outstanding issues.

MR. BELL: If this market is going to suggest itself because of lowering reserves, why wouldn't it be better for us to put out a note, then, and let that two percent market shift down, which would go further down in terms of thirty-seconds than the note market?

MR. ECCLES: The same would be true of the note.

MR. BELL: The bond market would go further in terms of thirty-seconds than the note market. The note market has gone up faster, hasn't it, than the bond market in the last six months?

MR. RANSOM: Has it? Is that the situation?

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MR. SPROUL: You have to picture sections of the market and your kinds of bonds. The tax-exempt bonds really have gone up more than anything else.

MR. BELL: I am talking about the notes and the taxable two percent area.

MR. MURPHY: The notes have advanced considerably more since the first of the year in thirty-seconds - that is, advanced through Saturday, eighteen thirty-seconds, as against an average of fourteen, I believe, for taxable two's.

Now, the greatest rise in the notes was concentrated in the first four months, and the greatest rise in the bonds in the last six weeks. But taking the whole period, the notes have advanced more than the bonds.

MR. SPROUL: It is during that period that the banks - and again I say - to whom this financing is directed have become more and more aware of the possibilities of this pattern of rates situation, and also have been more and more pressed by the need for earnings as their loans have declined, and they have become aware of the results of the past year when the smaller banks of the country showed declining earnings based on their return on capital funds. There has been a shift there out into the longer maturities.

MR. ECCLES: The banks as a whole last year - 1942 - their earnings were fifty-five million less than they were in '41, whereas the larger bank earnings had increased. It meant that the loss of earnings was very substantial.

MR. HAAS: They were in pretty good shape, weren't they?

MR. ECCLES: The small banks were down as low as two and three and four percent on capital.

MR. HAAS: But you have to go way back, with the exception of '36, to get earnings equivalent to last year. I noticed they were earning six and a half on their invested capital.

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MR. ECCLES: From a small country bank it is pretty bad. I think over the next year you are going to have some serious problems in the whole country bank picture - some real problems. I don't know how you are going to meet them.

MR. HAAS: You can favor the small banks by giving them a full allotment of a hundred thousand, or something like that.

MR. ECCLES: That wouldn't - that might help a little, that is true, but my idea here certainly would be not to offer any security, now, whether it is a note or a bond, to the public. I would confine it strictly to bank financing, and I would give the banks - I would get away from the padding - certainly away from the padding.

I would either base it upon a quota, letting the banks take all they subscribe under their quota, or if you don't do that, limit the amount of their subscription to some percentage of their capital surplus, or some percentage of their net demand deposits, so that in no case would any bank be permitted to subscribe more than, we will say, twice the amount that they would get.

For instance, you might figure if you want two and a half billion that the formula that you gave, if every bank took a hundred percent of what it was permitted to take under the formula, you would get five billion. Now, in that case, then, no bank would get less, you see, than fifty percent of what it subscribed - if every bank took what it was permitted to subscribe to. In the case that some banks fell out and didn't take what they were permitted to take, it would mean more than fifty percent for those that did come in.

Now, certainly some sort of a control should be exercised. I had thought that instead of stating that you wanted a fixed amount of money, that you know in your own mind about what you wanted - that you would offer to the banks on a formula, a certain security, and you would fill the subscription one hundred percent.

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Now we will say, for instance, if this were a two percent bond, you would figure a formula that would give you, say, three billion dollars if every bank took what it was permitted to take.

That would allow you five hundred million leeway if you wanted two and a half billion dollars. Certainly if you offer the two percent bond it has a slight premium.

You could be assured that the banks would take their subscription pretty largely.

Now that would have, it seems to me, the desired effect of saying to the banks that padding is out - that this is the amount you can subscribe to, and when you subscribe to this, which is based upon some formula, you are going to get just that amount of bonds.

Now, it is desirable, if we can get to the point where you tell the banks the amount that you want them to take and what their proper proportion is, and then they take it.

The sooner we can get to that point the better off we will be, and the greater the stability will be in your whole picture.

In Canada they do just that, but of course they have a small group of banks, and it is much easier to do it, but the principle is a sound principle.

MR. BELL: Don't you think the Secretary would be criticized for making an offering for the banks of two and a half billion dollars?

He is criticized for financing too much through the banks, and when he had an opportunity of getting some money outside of the banks, to shut it off, don't you think he would be criticized?

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MR. ECCLES: I don't think so at all. He has said that he is going to separate the bank financing from the public financing, and that a certain amount is going to have to be done through the banks. That is all perfectly clear.

MR. HAAS: That is for the purpose, though, of increasing sales to individuals. The opposite doesn't necessarily hold true.

MR. ECCLES: I know, but the point is that if he opens it up today to the public it means merely that the banks come in in a secondary market and buy - will go out and buy in the market and get what they want. That is what it means.

It means further that if you offer to the public at this time that the amount you will get in your drive is reduced by that amount. I think it is important that funds accumulate for your next drive, that you don't keep on tap market issues, and when you offer in the interim here it only upsets, it seems to me, the drive and confuses the public insofar as your failure to separate bank and non-bank.

The public should know that they can only get market securities during these periodical drives and that the banks are only going to be used in the interim to fill in for the financing that is needed from the banks that has not been and cannot be raised by the public during the drives.

Now, if you let the public in now just after you have finished a drive, less than sixty days ago or about sixty days ago, it seems to me it is extremely confusing when we talk about putting the public offerings on a periodical drive basis and separating the banks from the public drive. The criticism that I - I think there is no criticism in the matter at all. The banks have been - the securities you offered the public in April - a lot of them have already been sold. The amount of securities that the public bought in that drive has been substantially reduced, and the banks have acquired them. The banks' holdings, although they have bought only five billion, were made available during

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the drive. Their holdings have increased between seven and eight billions, so the banks have bought a very substantial amount of securities out of the market in addition to that. The public has been selling on balance.

Now, to make these securities available to the public and restrict the amount that the banks take to a percentage of what they want merely means that the banks will buy the securities at a premium from the speculator who will come in if you offer them to the public. It means that the dealer, the broker, and a lot of the public generally will buy not for holding, but merely for selling to the banks at a premium what the banks were unable to buy because of a restricted amount of securities made available to them.

MR. BELL: Well, in view of that I am not so sure that it wouldn't be better to include those people who are really no more than potential bank buyers in the bank financing and eliminate any bank security from the basket in the drive. Why wouldn't that be better?

MR. SPROUL: I don't think there is any line you can draw between the people who aren't banks and the people who are potential bank financiers. It isn't clear-cut and distinguishable. The Government security dealer, the dealers in general, the broker, the corporation, and the individual - they are all possible speculators for resale to banks.

MR. BELL: If you confine the basket in the drive to securities that can be transferred to the banks, and then the pressure that goes on the individuals to buy securities and can't go into the banks, it seems to me if you put a note in the drive or any other banking security, all you are doing is just using a lot of pressure to get people to buy something that goes right back into the banks, what Marriner is arguing against. I agree with that.

MR. SPROUL: Some will go back into the banks, but I don't think myself you can restrict your drive to that extent, because whether we like it or not there are a lot of people who, while they are buying not for speculative purposes, nevertheless want a marketable security and one which can be used in any way they want.

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MR. BELL: I feel the same way about the bank financing. You are going to get some people in that on a smaller scale who will buy securities for the banks. On the other hand, you will get a substantial number of people who will keep them, particularly corporations.

MR. SPROUL: It seems to me that the Secretary is considering and made some statements to the effect that you are going to separate bank and non-bank financing; that the drives are to be the non-bank financing, that that should be a clear-cut separation; and that you can't have a number of intervening offerings which are both bank and public without confusing the issue, breaking down that separation between bank and non-bank financing.

As far as the individual is concerned, you are still selling the issues which are on tap, the E, F, and G bonds and the series C note, so that the individual can get the securities all the time and at any time. He is not shut out by restricting this financing to the banks solely.

MR. ECCLES: The speculator is the one who comes in on the market offerings so often, and I believe that if you make that complete separation and the banks know that they are going to be offered securities in the interim period, that they are going to be offered securities solely, and their subscriptions will be - it will be offered on a basis of a formula - there will be very much less buying by the banks in the market at a premium.

What will induce, it seems to me, the banks to be buying in the market at a premium would be if you include the public in the offerings and restrict the banks, we will say, by reason of the amount the public takes, and then they would buy what the public gets in the market. If the banks understand that they are expected to take only what cannot be financed outside and that their offerings are going to be made in the interim to meet the Treasury requirements and their requirements, and the padding is going to be out, I think you will have gotten rid of a lot of market speculation and a lot of confusion. As a last resort this can always be done. I would hate - I hope we could avoid the necessity of it.

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MR. BELL: Are you all in favor of restrictions on bank subscriptions?

MR. PADDOCK: Absolutely.

MR. SPROUL: Yes, a formula which would permit subscriptions that would adequately cover the amount of the offering, but which would restrain the ridiculous and foolish antics of the banks and the padding. I think it is unfortunate to have to go back to restrictions, having once taken them off, but I think the banks have brought it on themselves by their antics.

MR. BELL: Do you think you are going to continue to get those large over-subscriptions with your reserves declining?

MR. SPROUL: That is one of the unfortunate parts of your putting them back. It is conceivable that there might be a situation in the future where you would feel you had to take them off again, which would then be something of an admission that something was "rotten in Denmark," but with the bill mechanism working as it is and with the new war loan deposit mechanism working as it is, I don't think you will have to worry about the amount of your reserves in covering your financing.

MR. BELL: It hasn't been so long ago that we were calling up the banks and asking them to put in subscriptions.

MR. ECCLES: But you had no bill situation and no war loan account. You have two entirely different situations.

MR. RANSOM: You are working in an entirely different atmosphere, Dan.

MR. ECCLES: Entirely different.

MR. BELL: Both war.

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MR. ECCLES: Here you find, Dan--

MR. BELL: They said at that time that they didn't like the two-percent bond and four billion dollars was too much. That was the main criticism. But now they like the bond and want another one. (Laughter)

MR. ECCLES: I know, but that--

MR. SPROUL: They didn't like the two; then they liked the two and a quarter. (Laughter)

MR. ECCLES: That is right. That isn't a comparable situation because at that time there had been a lot of propaganda for two-and-a-quarter, and a feeling had developed that there was going to be a two-and-a-quarter.

MR. BELL: Now we are going the other way - a lot of propaganda for the one-and-a-half-percent note, and we are going to give them a two. (Laughter)

MR. ECCLES: No, there is no propaganda for one-and-a-half.

MR. ROUSE: There is quite a difference between the two times. In one you had a heritage of speculative financing. Now you are in a period of war financing which is understood - been explained - the program explained, and you have set up machinery, and the whole atmosphere is completely different.

MR. ECCLES: You announced it one day and closed it about two days after. Another thing, you left no element of time to do a job at all.

MR. BELL: I agree that we were rushed a little. (Laughter)

MR. HAAS: Won't the public remember -it will probably be bad in this, that they will say you are taking off all the so-called American way, you are putting it down where you are telling somebody to do it, and I think there is a

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possibility of winding up with the Treasury having no friends, including these banks that you are trying to help out.

MR. ECCLES: What do you mean, that you are "telling?"

MR. HAAS: This way they are operating on their own volition - voluntary way - they are offered, and they go in the market - they can buy. Now we are putting it down into a parcel. I think what is now a maximum will probably work into a quota, so you are really telling the banks what to do. When that day comes--

MR. ECCLES: You are telling them what they can take. There is a quota so as to avoid a huge over-subscription.

MR. HAAS: As the thing tightens up - if it does, that thing will work itself into a quota. You are telling them that they must take that amount.

MR. ECCLES: The thing can't tighten up so that happens at all. I wish the devil it would tighten up, because what I think your danger is, is that although you give the banks a quota, they are taking far more Governments - not directly, but indirectly - than you want. The public takes them and sells right to the banks. The banks have increased their holdings of Governments three billion dollars in the last three months outside of what the Government has offered them.

I think you may get to the point where you - I mentioned this over there this morning - that you may get to the point where in order to control the inflationary effect of bank purchases so that the amount the banks take can be controlled - so that it is not uncontrolled as it is today - that you would freeze the amount they now hold, and from now on restrict the amount of bonds that they take based upon their increase in deposits.

MR. BELL: You are putting us in a vice.

MR. ECCLES: But the point I am making is that this idea of selling to the public is meaningless because the public buys and sells them right to the banks again.

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MR. BELL: Well, that is why I am afraid of putting a bank security in the drive.

MR. RANSOM: One way of taking care of the fear George expresses - I don't share his fear, but I will try to relieve his mind - is to work out a formula that will produce from the whole banking system what you want at this particular time, then provide - that will enable each bank to know exactly the maximum which it is expected to subscribe and it can't exceed that, based on any sort of a formula that will do the job. If you are disturbed about the dealer and want to subsidize him, let the dealers take the balance. Let the banks in the first instance underwrite your issue and sell in effect the overplus, whatever it is, then let the dealers come in and take it and sell to the banks that didn't subscribe.

MR. MURPHY: I think that overplus may receive a very peculiar name in the newspapers - that is generally known as the amount which you didn't make. (Laughter)

MR. RANSOM: You make it for the full amount - the banks prefer to buy through the dealers, that proves.

MR. ECCLES: You are just as likely to get the criticism when you say you are going to separate bank and public financing.

MR. HAAS: I think the public understood it this way - I may be wrong - that the reason - the motivation - for saying there would be a separation is that bank financing was not the desirable financing to do and should be minimized. Therefore, you are going to separate and make every effort to sell to individuals; but to take and put the banks in a tight-bound category places them on a par with the individual. I think it will be misunderstood - that at any time an individual - let him come in, and it is better than bank financing. I think that is the way they will understand it.

Now, if you come out with a two-percent bond - it has been announced by both the Secretary and Dan about this ten-year rate - if you come out with the highest rate you can give them and say that we will sell to nobody but just the banks,

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I am afraid you are going to get a swell press on that.

MR. EVANS: Can't the public buy all the E, F, and G's that they want?

MR. HAAS: But the thing is, the public - you can sit down and technically explain it, but the--

MR. ECCLES: The people who buy two-percent bonds and kick are going to be the dealers and speculators who want to get in on it to sell to the banks at a profit. The dealers on the last financing - when the banks were included in it - the dealers on that financing made over a million dollars, as I figure the thing out, by the subscriptions that they took. They immediately sold those securities to the banks or have sold them to the banks.

Naturally, if you are going to placate that speculative element because they holler a little bit - I would just let them holler. I see no justification in making these two-percent bonds, which are market issues, available to the groups outside of the banks. That would be largely the ones that will take them; it isn't the rank and file of the public at all. It isn't the individual investor who is going to kick about that two-percent bond; it isn't him at all. The individual investors are largely taking the E, F, and G bonds, or the tax note - not the tax note, but the two-and-a-half-percent bonds. Now, that is where they come in - the two-percent bonds. If this is open to the public, the two percent bond will be taken by the group that doesn't intend to hold them; and therefore you are not selling them outside of the banks. You are selling them to the banks through the groups that will subscribe at this time if you open it up to the public.

You will find, I will wager, that the extent to which this two-percent subscription is taken outside of the banks - you will find that within a period of thirty days that that amount of two's is pretty largely - the amount of two's will be right in the banks at a premium and a profit paid to the dealers and brokers and speculators. That is all you will be doing when you offer that to the public.

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MR. HAAS: Doesn't that have some function, Marriner? You take these banks not buying - fourteen thousand or more of them - they are interested in something as long as it looks like a market and other people are interested. If you ever get this market down so that there is no buying, then we are really going to have trouble.

MR. ECCLES: You will say that you were depending on dealers and speculators to make the market. That is a different thing.

MR. HAAS: The people know that the Fed is in, but they know there is somebody besides the Fed in. I think that is healthy when you have to deal with the banking system that we have.

MR. ECCLES: I don't think that makes an awful lot of difference. The market today is the Fed. Everybody knows it. The dealers and the speculators--

MR. HAAS: The fifteen thousand banks over the country--

MR. ECCLES: They all know it, every darned one of them, and if they didn't know it, they wouldn't be buying ten-year bonds.

MR. BELL: If they don't we ought to circularize them. (Laughter)

MR. ECCLES: Don't fool yourselves; that is why the demand for these bonds is what it is, why they are selling notes and certificates - that plus the earning need.

But the idea of making the banks buy through speculators and dealers what it seems to me they should be able to get directly is going to have a much more unfavorable reaction than would be the case if you made this strictly a bank offering - let nobody else in at this time - and exclude the banks completely when you are making your public drive.

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Now, this all fits into what has been said, that you were going to use the banks for some interim financing and it could be announced.

MR. HAAS: I don't think the Secretary ever had it in his mind - I may be wrong - that there would be a - that the banks would be given the exclusive job. When he said the banks I think he was thinking in terms of what previously had been done - offer sort of a bank security.

MR. BELL: I think he was thinking of the drive almost exclusively. I think he was going to take the bank financing out of the drive.

MR. ECCLES: But you should take the public financing out of the bank financing, because otherwise the volume of funds available for your drive is going to make your drive flatten out.

MR. BELL: George, why don't you tell them of your recommendation to the Secretary on the subscription?

MR. HAAS: We suggested that it be offered in the normal way, everybody could come in, but that everybody would be given a hundred thousand dollars - I mean, allotted in full, and the balance allotted on an equal percentage basis. That would help the small banks. If you could do that sort of thing, over a period it would establish a trend which would favor the smaller institutions.

MR. BELL: And the individual, also.

MR. HAAS: And the individual.

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MR. ECCLES: Well, what would be gotten above that - you would get very heavy over-subscriptions and very heavy padding from the speculators because of the premium - either going to do that or change your pattern of rates.

MR. HAAS: If you are offering the two or offering the note - you can offer the note on the smaller premium basis. And on the bond it depends on how much you want to figure in - knock the thing back from what the present market is.

MR. ECCLES: The only way to knock it back is to extend the maturity a couple of years or a year or so.

MR. SPROUL: You introduce a substantial policing job if everybody up to a hundred thousand gets an allotment in full, a policing job not only within districts, but an inter-district job which I think would be a very difficult one.

MR. BELL: You mean somebody putting in more than one subscription in the various districts?

MR. SPROUL: Yes. I think it would be true for anything if the demand were large enough to put a premium on the issue. It would be true for either a note or a bond. The premium would be larger for the bond, but a premium on either.

MR. ROUSE: All the holders of the note would have to come into the market and buy in substantial amounts because the amounts left to them after giving everybody in full would be comparatively small - the allotment would be small.

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They would come into the market and buy, and it would have the effect of kicking the whole market up rather than relieving the situation.

MR. SPROUL: The subscription to over a hundred-thousand-dollar pieces would be very large and come back into the banks at a premium.

MR. ECCLES: How are you going to get rid of speculation? The only way to largely reduce it or get rid of it is to separate your bank and your public financing. Give the banks what they are supposed to take in the interim period, let them know that they are going to get it, and that they are going to get it on some formula, and it is not - they are not going to be expected to do a lot of padding.

The dealers and the brokers and the speculators do not get in on it at all, and the banks take that to hold. And when it comes to the public offerings the banks are excluded.

I think in that manner you are going to get the securities placed where you want them placed, to the fullest amount possible, in the hands of the public; to the smallest amount possible in the hands of the banks.

It will make the job of maintaining your pattern of rates possible, and it will get away from the speculation and the confusion that otherwise is going to be created in your market.

MR. SPROUL: I think the whole drive conception is tied up, in my mind, with a separation of bank and non-bank financing; that the drive is for investors other than banks and that, as you (Bell) put it, the residue is what you do with banks. It seems to me this is purely residual financing we are doing now.

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I don't think the Secretary would be criticized or that the public would have any misunderstanding if you came out with an offering solely for banks and at the same time have the Government security which is getting all the public hoorah, which is the one which the public, the individuals, is conscious of. That is the war bond, and that will be on sale and continuously on sale.

There will be a circular going out to the investors, to the banks only, that they have two or three days to subscribe, and they subscribe and it is all over. I don't think the public is confused or concerned or interested.

MR. ECCLES: Only the speculators are going to be sore - just the dealers and speculators.

MR. HAAS: Here you have got a creation of bank deposits,paying two percent on them, and you are just marking it right out with red ink. Otherwise when you put it out you have some justification for your doing it - other people are in it, - the two percent. I think the thing will really boomerang.

MR. ECCLES: No.

MR. SPROUL: I think the boomerang on that is not going to be on whether it is two percent or one and a half percent, but whether you do it at all.

MR. HAAS: I think it is going to be--

MR. ECCLES: The boomerang so far as Patman and these people are concerned isn't whether it is two or one and a half. It is that the Federal Reserve, outside of what you sell to the public, see - that the Federal Reserve should take all of the balance of the financing at no interest rate. And that is the whole issue. There is no in-between issue.

The issue that Patman makes and Voorhis makes and that Norman Thomas makes, and that whole group, is that the Federal Reserve should create what credit that the

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Government needs outside of what the individual investor takes.

It isn't a question of - rather than the private banks create at all, they just want to exclude the private banks from the picture. That is the whole issue.

MR. BELL: But I think you help the situation by holding down their earnings to a reasonable level. You can say we are not going to give the banks high coupon securities to allow them to pile up earnings on these excess deposits.

MR. ECCLES: But they will go in the market and get them. You can't stop them.

MR. HAAS: They don't see that - it keeps them covered.

MR. SPROUL: The smaller bank earnings are not up; they are down.

MR. BELL: As Marriner suggests, if that condition continues you may have to give a special security to the small country banks to keep them alive during this war period.

MR. ECCLES: I met the Patman situation, if you get to that - if certain banks are getting too much and other banks are not getting enough, we will say, you can freeze your holdings of bank securities as is, and then only as the deposit picture grows would you allocate securities to the banks at a given rate to take care of that increased security. That gets down to a controlled situation, which, of course, we ought to avoid if we can.

But when you take - if the New York and the Chicago banks - the bigger banks - keep on pressing to buy and buy and buy more securities all the time, irrespective of their reserve picture, and force the Fed, in other words, to come in and pump reserves in or they sell bills and

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sell certificates and shift over to bonds, then their earnings get excessive, and something of that sort may have to be done. But you are certainly quite a long way from that picture.

MR. BELL: I don't believe the banks are going to altogether shift to the two-percent bond because of the maintenance of the pattern of rates. I think you may have a few of them that--

MR. ECCLES: I don't think they will. I think there may be a little better balance - I think a little more of your two's out, and--

MR. BELL: Maybe it would be a good thing to put out a two. It wouldn't be quite so rich, and then if you had a fluctuation in the market it might drop a little below par and it might have a nice effect.

MR. ECCLES: If we put a--

MR. BELL: What harm would that be?

MR. SPROUL: Have an effect on your whole pattern of rates - it wouldn't just be that.

MR. BELL: The others are up so high they can afford to drop down.

MR. SPROUL: The bank picture is not a bonanza picture where they are just getting fat on this operation. It is a picture where the banking system is being kept in existence because you think that the private banking system is worth something now and in the future. If you don't think that, then there is no reason for going on with this.

MR. BELL: I do think it wants to be kept in the picture, certainly, but if these deposits are going to continue to increase and they get two percent on those increased deposits I think it is going to look bad sooner or later - pretty soon. I don't know how soon.

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MR. ECCLES: Dan, they are certainly getting an increased expense very rapidly. Increased work is being put on them. You are going to rely upon them to induce their depositors to increase their funds. After all, you have to have all of the banks understand this problem and favor getting the public to take the largest possible amount of securities. It is very important because without having all of these banks working to get their depositors to invest during these drives you are certainly not going to get the results that you should be able to get. Now, that is an important factor.

MR. HAAS: Wouldn't it be better to take the - the problem on earnings seems to be the small banks, and I think it is better to take that up as a specialized job for the small banks.

You take the banking system as a whole, and earnings-wise it isn't in bad shape - six and a half or six point three on their invested capital. The British banks are about the same. The Canadians is only four point four for the same period.

And earnings are not low. They are a little lower than last year, but outside of '36 you have to go back to about '29 to get earnings that high.

MR. MURPHY: Yes. The net profits for all member banks this year were slightly less than last year - two percent less.

MR. BELL: Two points - not two percent?

MR. MURPHY: Yes, about three ninety in '41 and, say, three eighty-three last year - I mean '42. And except for '36 you have got to go back to '29 to do better than that.

MR. ECCLES: Last year they were about four hundred million. The year before they were four hundred fifty-five million.

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MR. MURPHY: I think, Mr. Chairman, we are using the different series. You are using the net current earnings, and the figure that Mr. Haas cited is the figure for net profits. In other words, your figure is before charge-offs and recoveries, and the figure that Mr. Haas cited is after charge-offs and recoveries.

MR. ECCLES: No, the figure I am citing is the figure I got from the FDIC and also our own people.

MR. EVANS: '29 and '36 were pretty bad years.

MR. HAAS: I know. Six and a half percent on invested capital as things go isn't bad, either.

MR. BELL: If that is net, I think that is good earnings - six and a half.

MR. SPROUL: That is not all the banks.

MR. HAAS: That is why I say the problem should be specialized. I think there is some problem in the small banks.

MR. BELL: I do, too.

There are a couple of other questions I would like to raise. I think we have your thoughts on this.

MR. MURPHY: Just to conclude that, I would like to say that I have the figures before me from the June Federal Reserve Bulletin, and in 1942 the net profits of all member banks were three hundred eighty-three million.

MR. ECCLES: That is members. I am talking about all banks.

MR. MURPHY: I haven't had available the figure for all banks.

MR. ECCLES: I got that from the FDIC for all banks.

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MR. BELL: All insured banks?

MR. ECCLES: All insured banks, which is the figure you have got to look at because, after all, your member banks, you have got about - what is it?

MR. BELL: Seven thousand.

MR. ECCLES: Seven thousand banks out of about fifteen.

MR. ROUSE: The difference between those two series of figures emphasizes the problem. It points it up.

MR. ECCLES: The member bank is not the problem.

MR. MURPHY: The profits for member banks were three hundred ninety in '41, approximately the same as '42. That figure, with the exception of '36, is the highest since '29.

We have made a study of the earnings of banks with deposits of under a million, and that is, of course, the place where the main trouble is. That study shows that for the calendar year '42, the most recent available year, the profits of the banks were on an average off about a thousand dollars a bank for 1941, but they were still, as I recall, about six percent on their invested capital and were substantially higher than they had been in the late thirties.

MR. ECCLES: I met this argument with Patman when I pointed out - I pointed out to Patman that the problem he was talking about of banks making excessive earnings and therefore they shouldn't be permitted to take any more Government securities was that in 1942, although the banks increased their holdings of Government securities by twenty-three billion dollars, the earnings of all banks declined from four hundred fifty-five million to approximately four hundred million, in spite of the fact that they increased their holdings of Government securities by twenty-three billion dollars.

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Well, that closed him up. I mean he had no answer to that one.

MR. BELL: I would like to know what you think about - this doesn't have to be settled today and we can discuss it some later on - increasing the certificate from a billion six to possibly two and a half.

MR. SPROUL: That comes when, July?

MR. BELL: That is August 1.

MR. SPROUL: To about two and a half?

MR. BELL: I would say two and a half. That would give us enough to last us until the drive--

MR. RANSOM: What was that, Dan?

MR. BELL: That will give us enough money to last until the drive money starts coming in.

It was suggested that we increase that certificate to three and a half, wasn't it?

MR. HAAS: Yes.

MR. BELL: So as to give a substantial balance.

MR. HAAS: Three six, but that depends on how much money you have got.

MR. SPROUL: How much you need.

Do you contemplate paying off the maturing certificate and issuing a new one with no exchange privilege?

MR. BELL: That is open for discussion. I think we have announced there would be no rights.

MR. ECCLES: It ought to be paid off, don't you think, Allan?

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MR. SPROUL: I think it would be better to pay it off.

MR. BELL: It is a relatively small amount. I think we ought to pay it off in cash.

MR. ECCLES: But on a short maturity I don't believe you ought to have rights.

MR. BELL: You may have a different problem when you come to December and have three billion eight maturing.

MR. SPROUL: You will need money in somewhat those amounts, and you could be pretty sure, I think, that you could put out an additional offering at that time.

MR. BELL: Increasing that issue?

MR. SPROUL: In July for the August 1st maturity.

MR. BELL: How about the Treasury bills? The last maturity where we get two hundred million dollars of additional cash is July 14, isn't it?

MR. HAAS: The 21st.

MR. BELL: On the 21st you have to increase it a hundred million in order to get an additional two hundred million.

MR. HAAS: You are probably right, Dan.

MR. BELL: Anyway, it is either the 14th or 21st.

MR. MURPHY: The 21st would be the first date on which you would have to increase if you wanted to get your two hundred. The 14th is the last date you will get your two hundred under the present pattern.

MR. ECCLES: That would give you a billion a week.

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MR. BELL: No, we have a billion now. It would be a billion one.

MR. ECCLES: If you increased it at that time?

MR. BELL: Yes, that would give us two hundred million dollars of additional cash right straight through.

MR. ECCLES: I don't know that I would increase it. What it does is simply mean that the Fed is going to get that extra hundred.

MR. ROUSE: There has been no increase in the amount subscribed for. It has been at a billion dollars.

MR. BELL: About a billion four.

MR. ROUSE: My inclination now would be to leave it as is in view of the greatly extended short maturies we put out last year - at least until we get a more appropriate time. Let it stay there for a time and watch developments.

MR. BELL: You mean get them used to changing it once in a while, not just going up a flat hundred million every time we come to the end of a cycle but maybe let it go over a couple of weeks the first of August and then increase it?

MR. ROUSE: When it might seem appropriate to do it, when you begin to get a response from increased tenders, people really wanting them as deposits increase in other sections of the country and the demand widens out.

MR. ECCLES: You might in September want to increase them during the period when the reserves of the banks, you see, would be going up through the war loan account. I think during that period you might want to increase them as much as two hundred million a week all during that period because at that time you are very likely - the banks would take the full increase during that period, very

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likely, instead of the Fed getting the thing. Whereas, as the reserves go down due to the drop of the war loan account between now and September when your financing starts, the Fed would merely be taking all of your certificates.

Of course they could take them and sell them out during the drive, but I would think it might be better to not increase the amount of bills but wait until September and then increase them two hundred million during the drive period. I think at that time you may find a ready market for the entire amount of the increase.

MR. HAAS: This question has been raised in connection with the currency drain. In other words, the Fed taking bills should at least cover the increase in currency. In other words, you can say - you get the point?

MR. ECCLES: That is right, it certainly has equalled that. You see--

MR. SPROUL: One way or another we'll have to take the difference.

MR. HAAS: Why not take care of it at three-eighths?

MR. ECCLES: That is just where we are taking care of it.

MR. HAAS: I know, at the moment.

MR. ECCLES: You see, we have increased since last - since about the beginning of the year we have increased the amount of bills that we have taken close to two billions, haven't we, Piser?

MR. PISER: I think over two billion.

MR. ECCLES: So you see that would pretty largely take care of the currency expansion in bills.

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MR. SPROUL: I think that is one of those things you want to take a look at closer and determine what you are going to do. I don't think it is clear-cut now that you must or should increase July 21st.

MR. BELL: No, we will talk about it again. I just wanted to get your views.

MR. ROUSE: It should be more flexible, possibly, than it has been.

MR. BELL: At least you would like to see a week or two weeks there between making the change?

MR. ROUSE: Yes.

MR. BELL: Anybody have anything else?

MR. SPROUL: There is one possibility which I don't think in our thinking by some of our people was just wholly desirable, but it might be considered. And that is to meet this question which seems to be in your mind about an offering solely for banks, that is, the possibility of, if you think you must put out something for others than banks at the time of this offering, putting out the restricted two and a half percent bond or even a restricted two and a quarter percent bond for others than banks.

I would consider that only as a recognition of the fact that we should have had a partial-payment plan in the drive and didn't have it and that we should have it in the next drive, and we are taking care of that situation in this intervening period by announcing such an offering; and that in the future in the drive we would have partial payment on that restricted security so that those institutions - insurance companies and savings banks - which accumulate funds over the period would be able to anticipate and to take care of their needs.

MR. ECCLES: Well, Allan, I wouldn't like to see us, personally, put out a two and a half - certainly we have

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to stay away from the two and a quarter, but I would let these funds accumulate. I think that would make a very much better demand at the time of the drive. It would help the success, I think, very materially of your September drive if those funds do accumulate.

True, they can buy bills and they can buy certificates and then sell them to us at that time in order to invest in the two's and a half; but if we let them accumulate these funds it is going to make the success of the next drive where banks are excluded much more successful.

And at that time I would also provide a partial-payment plan so that you not only would get in the drive the benefit of the accumulation of funds but you would get the investment of anticipated funds to some extent.

Now, true, you can only do that once. You can only get the accumulation of funds and then the anticipation of funds, but I think the next drive is the time when you are going to need it because it will be the first period in which the banks have been excluded. It will be the first time when your new organization has the job to do, and they are going to need all the help they can get through, it seems to me, that method of financing.

True, it does help to double up, but I think that is when you are going to need it to get the best possible results by a new organization in a drive when the banks are excluded.

Now, when December comes along you will have had the benefit of the September drive. You will, it seems to me, have had a further opportunity for perfecting and improving an organization and educating the public on the the increasing need of non-bank funds being invested.

MR. BELL: That is the way we are thinking at the moment.

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MR. ECCLES: I would dislike very much to see us absorb a lot of these idle funds now.

MR. HAAS: I agree.

MR. ROUSE: There is perhaps one comment I should make on it. I originally felt the same way about that, the way the Chairman has expressed himself.

In connection with both the December drive and the April drive and since that time - and particularly since the announcement by the Secretary indicating that there would be a separation of bank financing, financial institution financing, and the third category of individuals and other corporations - I found that that has appealed very strongly to these other financial institutions, such as the insurance companies and the building and loan associations.

They feel that they ought to be able to invest their funds more frequently than every four or five or six months - say three months, and the sales people could either do it on a three months' basis outside of the drives or on a basis of partial payments, which I think should be considered.

It is also clear that they want to get - to relieve themselves, I should say, of the concentration in the two and a half's. We saw that clearly in the subscriptions by insurance companies and savings banks to the two's, in addition to the two and a half's. There is a demand there to offset some of their sales of intermediate maturities and to maintain their average maturity schedule, so that a two and a quarter for that purpose would have some advantage.

And the principal point - the final point I would like to make about it is that in December and April we had situations which might be highlighted best by stating the case in Newark where the quota for Newark was two hundred seventy-five or three hundred million, say, and

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the immediate announcement of a subscription of three hundred million or thereabouts by the insurance companies blanketed the sale to individuals and others in the New Jersey area for the period of the drive, in the opinion of the sales people.

Similar comments have come from the sales people all over the district.

MR. ECCLES: That was a mistake in the quota.

MR. HAAS: You could have those institutions come in at the end of the drive.

MR. ROUSE: We had it both in the War Savings Staff and the other - that the individual and the corporation were very much upset when these market operations were made. It blanketed the sale. I think you will find when you consult with the sales people that there is quite a strong feeling.

I noticed in the report of our War Savings Staff in New York State that they made quite a point of it - in their report to you in May. And I think it is worth serious consideration on your part.

MR. ECCLES: Why couldn't you exclude the insurance companies from the quotas, and merely take the quotas and then add the insurance companies as an additional amount?

MR. HAAS: We were thinking in terms of having those open at the end for about three days. That job can be done in three or four days at the end.

MR. ECCLES: That is right, the Fed was going to do that job, anyway.

MR. BELL: About three or four days at the end of the drive for the insurance companies?

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MR. ECCLES: That is right, you can have it in that way and not let it confuse the quota.

MR. SPROUL: You mean they can't buy during the rest of the drive - the insurance companies?

MR. BELL: That was the thought. You would have the first two weeks, say, of the drive - maybe the first sixteen or seventeen days of the drive - only for individuals, and possibly the smaller corporations, and then at the end of the drive you would go after the insurance companies and other large financial institutions.

MR. SPROUL: I don't know how you would divide it up - how you would keep them out.

MR. BELL: Marriner, I know the Secretary will want to be in touch with you, probably tomorrow; and also with you, Allan, on the telephone, and talk this over. I am sorry he was not here, but it was unavoidable.

I have your thoughts on this, and I know he will want to talk to you before he makes any announcement on it.

Thank you all very much.

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June 23, 1943
2:38 p.m.

Operator: Go ahead.

HMJr: Hello.

Randolph Paul: Yeah.

HMJr: Paul.

P: Yeah.

HMJr: Eddie Bartelt and Fred Smith are in here with me - you're on the loud speaker.

P: Yeah.

HMJr: What happened with George and that story that ran in the....

P: Well, nothing happened because he postponed the conference until tomorrow morning.

HMJr: So, it was a hundred per cent satisfactory?

P: (Laughs) Well, I - it's a hundred per cent postponement - and - but, here's one thing that did happen, or at least I checked this one angle of it - one - one of the reporters was in yesterday afternoon and - uh - I asked him if he'd seen the story and he said, "Yes," in fact, he had checked it - uh - to see whether it was - the thing had really been said.

HMJr: Yes.

P: And he said that it had been said because - in other words, he confirmed this reporter that wrote it.

HMJr: I see.

P: So, apparently it was not a misquotation.

HMJr: Well, anyway, you can still tell them I am very much disturbed.

P: Well, I'm - he postponed the conference....

HMJr: Yeah.

P: ....from this morning to - uh - tomorrow morning.

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HMJr: Okay. Thanks.

P: All right.

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June 23, 1943
3:28 p.m.

HMJr: Hello.

Paul McNutt: Hello.

HMJr: Henry Morgenthau.

M: Yes, Mr. Secretary.

HMJr: Look, Paul, last week in Cabinet you were talking about the number of people in industry that were out on account of syphilis, and I didn't want to get in on the discussion but our family physician is Dr. Harold Hyman....

M: Yes.

HMJr: ....who has perfected the five-day drip method....

M: Yeah.

HMJr: ....and it's been accepted by the Army, and I wondered - just last week the Counsel Research issued a directive on it. I wondered whether you were personally familiar with it.

M: Yes, I know what it is. Of course, what I've been urging the Army to do is to take these people, cure them, make them ready for active service.

HMJr: Well....

M: They've resisted all the way along on venereals.

HMJr: Well, they're now setting up a unit to use this method in Africa, particularly with the aviators.

M: Yeah.

HMJr: But I didn't know whether you'd care to have Dr. Hyman call on you and tell you what the status is....

M: Well, I think we know what the status is of the use of the method. What I want done is for the Army to accept these people.

HMJr: Well, they've accepted them now as of last week.

M: Well, the Surgeon General didn't know it - two days ago. He was still resistant.

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HMJr: Well, I don't want to - I mean, I don't want to be persistent, but I mean - I just wondered whether you'd care to see him sometime or not.

M: Well, I'd love to see him, but I - I know about the method and whatever method they use....

HMJr: Yes.

M: ....is all right, but my insistence is that they take them.

HMJr: Well, he's been - he's been to the Army - the Counsel - the National Research Counsel - is that what it is?

M: Yes, that's right.

HMJr: And all the directives have been issued, plus the Army and they've accepted it as of last week.

M: Well, Kirk - they may accept it, of course, but you know how the Army is.

HMJr: Yes. Well....

M: They've got to accept the men.

HMJr: Well....

M: They can accept the method but if they don't accept the men, it doesn't do us any good.

HMJr: You mean, the doctors?

M: That's right - well, I mean the....

HMJr: Oh....

M: ....Surgeon General of the Army.

HMJr: You mean whether they don't take the doctors or the men who have it. I don't get quite what....

M: Oh, it's the men who have it. They have - they've been taking a few.

HMJr: Yes.

M: But they have plenty of beds now and there's no reason in the world why they shouldn't take the men....

HMJr: Yeah.

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M: ....cure them....

HMJr: Yeah.

M: ....and let them go to active service. They don't have to take anybody they can't cure....

HMJr: I see.

M: ....but there are certainly lots of them they can.

HMJr: Well, anyway, if sometime you do want to see him or anything....

M: Well, I'd love to - I'm so strong for it - what I'm after is for the Army to take these men....

HMJr: Well, he - he....

M: ....infected men.

HMJr: He feels he's won his battle with the Army - the directive has been issued and now they are going ahead.

M: Well, it's grand that they're going to use the method. I'm for that but the next step is to get them to take the men from civilian life.

HMJr: I see. Well....

M: They have too many men that are in 4-F because of venereal disease.

HMJr: Well, is there anything that he could do to help?

M: Well, if he could help persuade Kirk, the new Surgeon General....

HMJr: Yes.

M: ....Magee, you couldn't talk to. I have - I have high hopes for....

HMJr: Well, I mean can a - can a doctor come in and just talk with Kirk?

M: Why certainly, he can. Or should - if he can't, then something's wrong with the Army.

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HMJr: Yeah. But it - it's - is the men who are in civilian life now - is that....

M: The men who are in civilian life now, who have been turned down at the induction station....

HMJr: Yes.

M: ....because of venereal disease.

HMJr: Yeah.

M: Now, my own feeling is, those who can be cured should be taken....

HMJr: Yeah.

M: ....made ready for active duty and then, of course, once they are in the Army they can watch them.

HMJr: Now, there's some - could you have somebody draw me up a little memorandum on that?

M: I'll be very happy to because I want all the help I can get on it.

HMJr: Would you send it over to me?

M: Certainly, I'd be delighted.

HMJr: I'd appreciate it.

M: You agree with me, don't you?

HMJr: Oh, yes, particularly now that with this method - I mean that they can cure them in five days.

M: Well, heavens, during the last war, at one time, I had two thousand venereals in my outfit. I put them in the camp that I called Camp Dick.

HMJr: Yeah.

M: But we would cure them and send them back to active duty.

HMJr: Yeah.

M: There's no reason for these men to be running around here loose when they can be cured and can be used and will help us in our problem of getting sufficient number of able bodied men for the armed forces.

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HMJr: Well, if you'd give me the facts, I'll see if I can help a little bit....

M: Fine. Well, I'd appreciate it very much because I've been - I've been so dern much in earnest about it and been fighting for it for the last eighteen months.

HMJr: ....because I gathered - it didn't seem - I didn't seem to get the impression that Stimson knew what you were talking about.

M: I don't think he does.

HMJr: Huh?

M: I don't think he does, even today.

HMJr: I don't think he knew.

M: Well....

HMJr: How is - how is Parran on all of this?

M: Oh, Parran feels the same way we all do over here.

HMJr: Yeah.

M: We've seen it and feel that there's the place to do it because in civil life....

HMJr: Yeah.

M: ....that these men are the least - disregard to - why you can treat them and they'll go out and recontract the disease immediately.

HMJr: Yeah. Well, Hyman's been a pioneer and he has won his first round.

M: Well, more power to him. I'm for it.

HMJr: All right.

M: Well, I'll send you a memo on it and whatever help you can give us, I'd appreciate it very much.

HMJr: I thank you.

M: All right.

HMJr: Good bye.

M: 'Bye.

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cc-Mr. Gaston

June 23, 1943
3:45 p.m.

Operator: He talked to-FitzGerald said he insisted on talking to you.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Ed Izac: How are you, Mr. Secretary, this is Congressman Izac.

HMJr: How are you, Congressman?

I: Not so bad.

HMJr: Same here.

I: What has ever happened about our recommendation on Collector of Customs out there in San Diego, Mr. Secretary?

HMJr: I don't know. Uh - I ought to know but I was letting - I was letting Herbert Gaston handle that. He'll be back tomorrow.

I: Uh huh.

HMJr: Uh....

I: Would you....

HMJr: ....I'll give him a little memo on it.

I: If you will, please.

HMJr: I'd be glad to - I'm - frankly, I ought to know, but I don't.

I: Uh huh. Well, that's all right.

HMJr: Well, I'll have Herbert Gaston give you a ring tomorrow.

I: All right. Thanks very much.

HMJr: Thank you, Congressman. Good bye

I: Good bye.

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GRAPH TREASURY TELEGRAPH

COPY

WU14 34 GOVT COLLECT

NEWYORK NY JUNE 23 1943 736AM

1943 JUN 23 AM 8 14

DANIEL W BELL

TREASURY DEPT

IF YOU HAVE NOT ALREADY DONE SO PLEASE BE READY TO RECOMMEND TO ME TODAY THE NAME OF A FIRST CLASS MAN TO BE ADMINISTRATIVE ASSISTANT TO THEODORE GAMBLE COPY TO MRS KLOTZ

HENRY MORGENTHAU JR.

804AM

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Dr. Carl Shoup in Mr. Blough's office
and Mr. Paul.

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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

June 23, 1943

TO Secretary Morgenthau

FROM Randolph Paul

I would like to supplement my memorandum of June 21, 1943.

To ascertain how the total tax burden, including indirect taxes such as excises and sales taxes, is distributed by income levels is a major undertaking, requiring at least several weeks, and usually several months of work by one or more highly skilled persons. We have available such a study for the United States, made in the Division of Tax Research last year. It is now out of date since it was computed before the Revenue Act of 1942 was passed. To my knowledge only four studies of this kind have ever been made in the United States -- two in the Treasury, one by Colm and Tarasov, and one by Newcomer. No such study, so far as I know, has ever been made for Canada. Several studies have been made for Great Britain but the latest one (Shirras and Rostas) is already about a year and a half out of date. It is possible to bring up to date our own study of last year but it would take several weeks' time of one of our most highly skilled men. To make such a study for Canada or Great Britain it would be necessary for us to send someone to those countries for a considerable period of time.

So far we have had no such personnel to spare. I doubt if we could spare anyone now, and it is almost out of the question to secure anyone from the outside.

The task is so difficult because (1) it involves numerous and complicated assumptions about the shifting and incidence of the indirect taxes, and (2) it requires a knowledge of the spending and investment habits of people at different income levels -- subjects about which there is relatively little knowledge.

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# TREASURY DEPARTMENT

**INTER OFFICE COMMUNICATION**

DATE

TO Secretary Morgenthau June 23, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Renegotiation - Vice President Francis Callery of the Vultee Aircraft Corporation yesterday told the House Naval Affairs Committee, continuing their hearings on war contract renegotiation, that the present statute authorizing the renegotiation of war contracts considered excessive, needs major revision. Specifically, he urged that (1) renegotiation be based on net profits after taxes and on net profits over a percentage exemption rate determined by the committee; and (2) necessary reserves for post-war transition be provided for in the revenue bill and be exempt from renegotiation.

2. Elk Hills Oil Contract - Despite a request from the Justice Department that it postpone its investigation of the Standard Oil Company-Navy Department Elk Hills oil contract, the House Public Lands Committee decided to go ahead as planned with their inquiry into the matter. In fact, the request may simply have added fuel to the fire for Representative Lemke said it made him "suspicious" and more anxious than ever to find out "what this is all about."

3. Food Subsidies - As the House Rules Committee cleared the way for House debate today on a bill extending the life of the Commodity Credit Corporation and on its controversial amendment prohibiting the use of any CCC funds for subsidies, Senator Bennett Champ Clark, on the other side of the hill, suggested an even more stringent measure in the repeal of the section of the Emergency Price Control Act which permits the payment of subsidies. Clark's proposal will take the form of an amendment to the Senate CCC Bill slated for consideration tomorrow.

4. Criticism of the Administration - Yesterday Senators O'Daniel and Wheeler sang a duet of denunciation on the Administration's management of affairs on the home front. Senator O'Daniel, predicting a change of Administration in the 1944

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elections, condemned labor dictatorship, the OPA, and the conduct of the food program. Senator Wheeler then continued the strain with a condemnation of the food and manpower programs, overlapping duties of federal agencies, and the drafting of fathers into the armed forces.

5. Food Conference - After a joint session of the Senate and House Agriculture Committees heard President Marvin Jones of the recent Allied Food Conference testify on the general conclusions reached by that body, Representative Smith charged that Jones had told the Congressional committees "practically nothing of the real work that was done at the conference." His testimony, Smith added, was representative of the "tactics" of secrecy employed while the conference was in session. According to Smith, the conference considered practically every phase of economy--"all production and consumption, full employment and cradle to the grave security for all people of the world, a reduction of the standard of living of all the peoples of the earth to a common level."

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June 23, 1943

Dear Bob:

I got a great kick out of the photostat of the German leaflet dropped over our troops in Tunisia. I told our Public Relations man that he was fired inasmuch as Goebbels was doing a better job for me than he was.

Madeline and you will be pleased to learn that Elinor has taken a definite turn for the better since last night, and I sincerely hope that she will have no more setbacks. She has been flat on her back in the hospital for almost five weeks, and she has been perfectly marvelous about it.

Any time that Madeline is here with you in Washington, I would love to have you come to the house for dinner and keep me company. Couldn't you do it some time next week?

Yours sincerely,

(Signed) Henry

Mr. Robert Sherwood,
Director of Overseas Operations,
Office of War Information,
Washington, D.C.

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*Every shot you are firing now*

*is a new boost for Morgenthau*

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OFFICE OF WAR INFORMATION

WASHINGTON

June 18, 1943

PERSONAL

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

Dear Henry:

Enclosed is a photostat of a German leaflet dropped on our troops in Tunisia. The outcome of the fighting in Tunisia will give you a pretty clear idea of just how effective this leaflet was. I know that this bit of publicity for you will give you pleasure.

Madeline and I have been thinking of you and Eleanor a great deal during the dreadful times through which you have been passing. I hope there has been improvement and that you are relieved of distressing worry. You two people are the salt of the earth and should be rewarded as such by Highest Authority.

Yours,

Bob

Robert E. Sherwood
Director of Overseas Operations

Encl.

Sometime I should like to show you the leaflets we dropped. They are good — and were extremely effective.


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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 23, 1943

TO Secretary Morgenthau

FROM Mr. White

Subject: Nazi treatment of Jewish people in Tunis.

1. The monetary cost of discriminatory measures taken by Germans and Italians against Jews in the Tunis area during six months of occupation is estimated at over 100,000,000 francs, (U.S. $2,000,000), viz:

| | |
|---|---|
| Military requisition of property and damage thereto | 30,000,000 fcs. |
| Maintenance of compulsory Jewish labor gangs | 60,000,000 " |
| Levy to defray Anglo-American aerial bomb damage | 20,000,000 " |
| Fine for Jewish labor desertions | 3,000,000 " |

2. To underwrite current expenditures, the Jewish community in Tunis imposed a capital levy of 10 - 15 percent upon property of its members and borrowed funds from French banks at high interest rates. Individuals to meet their levies were forced to sell personal effects and property. Much property was mortgaged to French banks.

3. No idemnification or relief measures have yet been taken by the French and, in the main, none appears to be contemplated. In some cases, semi-public financial institutions advanced funds to the Jews at 12 percent interest. After Allied liberation and failure of the Jews, because of lack of funds to meet payments due, the banks threatened mortgage foreclosure. The French Government advised the Jews to repay the capital plus interest, and to file post-war claims against Germany. Negotiations are continuing.

4. The Jewish community at Tunis also was forced to provide 4,000 laborers and to feed, clothe and pay them. Jewish police patrols were held responsible for desertions.

(BOC Airgram 60, 15 June 1943, Algiers)

Regraded Unclassified

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

OFFICE OF THE DIRECTOR

June 23, 1943

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended June 19, 1943.

During the past week items of interest for which requisitions have been received include 263 electric furnaces, covering almost every type manufactured, also 5,000 metric tons of wire equivalent to approximately 25,000 miles in length, both for the U. S. S.R.

Clifton E. Mack
Director of Procurement

FOR VICTORY BUY UNITED STATES DEFENSE BONDS AND STAMPS

(37861)

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SECRET

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF JUNE 19, 1943
(In Millions of Dollars)

| | Total | U. K. | Russia | China | Administrative Expenses | Miscellaneous & Undistributed |
|---|---|---|---|---|---|---|
| Allocations | $3241.6<br>(3210.6) | $1625.8<br>(1595.8) | $1236.9<br>(1236.9) | $103.4<br>(103.4) | $6.8<br>(6.8) | $268.7<br>(267.7) |
| Purchase Authorizations (Requisitions) | $2724.9<br>(2667.0) | $1508.7<br>(1480.6) | $1072.1<br>(1040.8) | $40.4<br>(40.3) | -<br>- | $103.7<br>(105.3) |
| Requisitions Cleared for Purchase | $2625.9<br>(2616.0) | $1455.6<br>(1444.8) | $1029.4<br>(1030.0) | $40.1<br>(40.1) | -<br>- | $100.8<br>(101.1) |
| Obligations (Purchases) | $2533.7<br>(2507.9) | $1426.4<br>(1417.2) | $983.5<br>(966.1) | $40.1<br>(39.9) | $6.1<br>(6.1) | $77.6<br>(78.6) |
| Deliveries to Foreign Governments at U. S. Ports* | $1128.8<br>(1104.3) | $796.0<br>(785.3) | $301.8<br>(288.3) | $18.6<br>(18.6) | -<br>- | $12.4<br>(12.1) |

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of June 12, 1943.

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SECRET

EXPLANATION OF DIFFERENCES

The decrease in requisitions cleared for Russia is a result of the cancellation of two contracts.

Reductions in the Miscellaneous columns are caused by an amendment to Contract 29336 for French West Africa.

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June 23, 1943

To: Adler, Chungking, China.

From: Secretary of the Treasury.

Reference is made to your cables of June 9, TF-128 and June 14, TF-132.

1. Treasury's position on the extension of the 1941 Agreement is that if China wishes to renew the 1941 Agreement, the Treasury will be glad to give favorable consideration to a request to this effect. It seems to us that the present form of the Agreement has worked out as satisfactorily as could be expected under existing conditions. However, any question as to whether the Agreement should be renewed or revised is a matter that is naturally of primary interest to the Chinese Government.

2. You may inform Dr. Kung informally of the Treasury's views on this point.

ISF/efs 6/23/43

Regraded Unclassified

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China

DATE: June 23, 1943, 10 p.m.

NO.: 797

This is a message from the Secretary of the Treasury for Mr. Adler.

Reference is made to your cables TF-132 of June 14 1943, and TF-128 of June 9, 1943.

1. With regard to the extension of the 1941 Agreement Treasury has taken the position that it will be glad to give favorable consideration to a request of the Chinese Government to this effect if China wants to renew the Agreement. It seems to us that under present conditions the existing form of the Agreement has worked out as satisfactorily as could be expected. The Chinese Government, however, is primarily interested in any question as to whether the agreement should be revised or renewed.

2. Treasury's views on this point may be communicated to Dr. Kung informally.

HULL
(FL)

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OFFICE
SECRETARY OF TREAS
JUN 24 PM 2 5
TREASURY DEPARTMEN

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 204

Information received up to 7 a.m., 23 June, 1943.

1. NAVAL

A French battleship (22,000 tons, 1913) and 3 Cruisers sailed from ALEXANDRIA yesterday for the SUEZ CANAL.

2. AIR OPERATIONS

WESTERN FRONT. 21st/22nd. KREFELD. 1956 tons dropped, including 247 4,000-pound H.E. bombs and 998 tons of incendiaries in about 50 (? minutes); thin cloud layer, bright moonlight, excellent visibility. High concentration achieved around accurately placed marker bombs. Fires described as resembling one huge conflagration with smoke to 15,000 ft. Ground defences moderate and not many searchlights. Enemy fighters active. 22nd. 169 Fortresses attacked the synthetic rubber works at HULS from high altitude dropping 382 tons with "good" results. As diversions, 36 escorted Fortresses dropped 80 tons at the General Motors Assembly Works at ANTWERP; bombing reported "good". In addition 12 escorted Mitchells attacked ship-building yards at ROTTERDAM. 20 Fortresses and 4 Fighters missing. Escorted Venturas (1 missing) bombed ABBEVILLE Air-field. Escorted Beaufighters (2 missing) attacked an enemy convoy off the Dutch coast, 5 escort vessels were sunk and a merchantman probably sunk. 22nd/23rd. Aircraft despatched: MULHEIM near ESSEN - 557 (35 missing), Sea-mining - 52, Intruders - 36, Leaflets - 26 (1 missing), BERLIN - 4, COLOGNE - 4. The attack on MULHEIM is considered successful. 10 enemy air-craft operated over Southeast ENGLAND and the Home Counties.

ITALY. On 20th/21st, and 21st, heavy bombers dropped 150 tons on SAN GIOVANNI and REGGIO, -- enemy casualties: in the air 26, 6, 2. Allied; nil.

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June 24, 1943
10:45 a.m.

FINANCING

Present: Mr. Bell
Mr. Graves
Mr. Smith
Mr. Coyne
Mr. Schwarz
Miss Elliott
Mr. Englesman
Mr. Houghteling
Mrs. McHugh

H.M.JR: Let me read a letter, just to let you know that if you make a suggestion - when did you make it, two days ago?

MR. ENGLESMAN: Yes, sir.

(Letter addressed to the Secretary and signed by the President read by the Secretary, copy attached.)

H.M.JR: The interesting thing is the change in his handwriting. It was written "Additional people must be convinced", and he changed it to "Additional people should be convinced of the necessity of participating." He changed it to "should."

MR. ENGLESMAN: That is perfect - wonderful.

H.M.JR: If you people can't produce on that, there is something the matter with you.

MR. COYNE: May we wire that to our people today?

H.M.JR: The rest is up to you. We are merchandising now. I don't know where Louis is.

Have this thing - you can get a photostat in five minutes. I don't know whether it wouldn't be wonderful

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to use the thing where the President changed it from "must" to "should."

MR. GRAVES: I think it should be photostated that way.

H.M.JR: Number one, get a copy to old Foster over there, and, two, to Steve Early and Marvin McIntyre, General Watson, and Miss Tully. Send them over, to be delivered by hand.

You fellows - isn't that wonderful?

MR. ENGLESMAN: Marvelous. It just ties right in. He says, "Figure it out yourself."

MR. SMITH: Don't you think we ought to send that to the papers, too? Can you do that?

H.M.JR: Oh, yes.

MR. BELL: That was the purpose of it, wasn't it?

H.M.JR: He says in the thing - what is the opening sentence?

MRS. McHUGH: "Through you, as Secretary of the Treasury"--

MR. SCHWARZ: He says he joins with you in calling on the people.

H.M.JR: No. Read it.

MRS. McHUGH: "Through you, as Secretary of the Treasury, I want to congratulate the American people on the way in which they have supported the voluntary payroll savings plan."

H.M.JR: Now, you (Schwarz) had better tell Steve Early what we are doing, so he gets a little headway, about the papers and all that. But I think it would be a nice thing to give a photostat right clear across the

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country. But you had better warn Steve.

MR. SCHWARZ: We should check about that correction in his own handwriting.

H.M.JR: I wouldn't bother about that.

MISS ELLIOTT: Could we get enough extra copies of that to include in a letter I am sending out today to every county woman chairman?

H.M.JR: I don't know what you are doing, but, anyway, Mr. Graves and Mrs. McHugh within ten minutes will have a master photostat in white on black. Harold, you might take this gang into your room and decide how you are going to do it.

My gawd, if you fellows can't with that--

MR. ENGLESMAN: It is wonderful.

H.M.JR: All you have to do is ask. I may fall on my nose, but if you don't ask me - when you asked I thought you were asking for the moon, but Fred and I went to work on it, and that is the result. But if that doesn't help--

MR. ENGLESMAN: Thank you, that is great.

MR. BELL: What interpretation would be put on that change from "must" to "should"?

MR. GRAVES: That it is voluntary. It takes the compulsory emphasis off of it. It is truly voluntary; I think it is good.

MR. BELL: I think the change is good, but I question the change showing up in a letter which has been prepared for the President, which he changes and shows to the public.

(Mr. Houghteling entered the conference.)

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H.M.JR: Graves will explain this to you (Houghteling).

The only thing I thought, somebody dictated the thing and he wanted to be sure that it is voluntary, so he says "should" instead of "must." You (Smith) decide that. That is right down your field.

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THE WHITE HOUSE
WASHINGTON

June 24, 1943.

Dear Mr. Secretary:

Through you, as Secretary of the Treasury, I want to congratulate the American people on the way in which they have supported the voluntary payroll savings plan.

I am proud of the fact that 27,000,000 patriotic Americans are regularly investing more than $420,000,000 a month to help pay the cost of the war. And since all of this money comes from wages and salaries -- nearly 90 percent from people earning less than $5,000, and the bulk of it from those working in war plants -- I do not hesitate to say that the payroll savings plan is the greatest single factor we now have in protecting ourselves against inflationary spending.

This is a great record, both from the standpoint of curbing inflation and from the standpoint of financing the war. However, I heartily endorse your present drive to improve that record, and I agree it must be improved if we are to keep pace with the increasing demands of the war.

I therefore join you in calling upon the American people -- and upon labor and management particularly -- to do still more. Additional people ~~must~~ should be convinced of the necessity of participating. Everyone now on the payroll savings plan ~~must~~ should materially increase the amount of bonds he is buying. We originally asked for 10 percent, but now we need considerably more.

I hope every American on a payroll will figure out for himself the extent to which he can curtail his spending, and will put every dollar of additional saving thus made into the payroll savings plan.

Sincerely yours,

Franklin D. Roosevelt

The Honorable,

The Secretary of the Treasury.

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OFFICE OF
THE SECRETARY OF THE TREASURY

June 24, 1943.

Memorandum for General Watson:

I am attaching hereto for your records a photostatic copy of a letter which the President signed for me when I saw him this morning.

Henry Morgenthau, Jr.

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OFFICE OF
THE SECRETARY OF THE TREASURY

38

June 24, 1943.

Memorandum for Marvin McIntyre:

I am attaching hereto for your records a photostatic copy of a letter which the President signed for me when I saw him this morning.

Henry Morgenthau, Jr.

Regraded Unclassified

OFFICE OF
THE SECRETARY OF THE TREASURY

June 24, 1943.

Memorandum for Miss Tully:

I am attaching hereto for your records a photostatic copy of a letter which the President signed for me when I saw him this morning.

Henry Morgenthau, Jr.

Regraded Unclassified

OFFICE OF
THE SECRETARY OF THE TREASURY

June 24, 1943.

Memorandum for Rudolph Forster:

I am attaching hereto for your records a photostatic copy of a letter which the President signed for me when I saw him this morning.

Henry Morgenthau, Jr.

Regraded Unclassified

THE WHITE HOUSE
WASHINGTON

June 24, 1943.

Dear Mr. Secretary:

Through you, as Secretary of the Treasury, I want to congratulate the American people on the way in which they have supported the voluntary payroll savings plan.

I am proud of the fact that 27,000,000 patriotic Americans are regularly investing more than $420,000,000 a month to help pay the cost of the war. And since all of this money comes from wages and salaries -- nearly 90 percent from people earning less than $5,000, and the bulk of it from those working in war plants -- I do not hesitate to say that the payroll savings plan is the greatest single factor we now have in protecting ourselves against inflationary spending.

This is a great record, both from the standpoint of curbing inflation and from the standpoint of financing the war. However, I heartily endorse your present drive to improve that record, and I agree it must be improved if we are to keep pace with the increasing demands of the war.

I therefore join you in calling upon the American people -- and upon labor and management particularly -- to do still more. Additional people ~~must~~ would be convinced of the necessity of participating. Everyone now on the payroll savings plan ~~must~~ should materially increase the amount of bonds he is buying. We originally asked for 10 percent, but now we need considerably more.

I hope every American on a payroll will figure out for himself the extent to which he can curtail his spending, and will put every dollar of additional saving thus made into the payroll savings plan.

Sincerely yours,

Franklin D. Roosevelt

The Honorable,

The Secretary of the Treasury.

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June 24, 1943.

My dear Mr. Secretary:

Through you, as Secretary of the Treasury, I want to congratulate the American people on the way in which they have supported the voluntary payroll savings plan.

I am proud of the fact that 27,000,000 patriotic Americans are regularly investing more than $420,000,000 a month to help pay the cost of the war. And since all of this money comes from wages and salaries -- nearly 90 percent from people earning less than $5,000, and the bulk of it from those working in war plants -- I do not hesitate to say that the payroll savings plan is the greatest single factor we now have in protecting ourselves against inflationary spending.

This is a great record, both from the standpoint of curbing inflation and from the standpoint of financing the war. However, I heartily endorse your present drive to improve that record, and I agree it must be improved if we are to keep pace with the increasing demands of the war.

I therefore join you in calling upon the American people -- and upon labor and management particularly -- to do still more. Additional people must be convinced of the necessity of participating. Everyone now on the payroll savings plan must materially increase the amount of bonds he is buying. We originally asked for 10 percent, but now we need considerably more.

I hope every American on a payroll will figure out for himself the extent to which he can curtail his spending, and will put every dollar of additional saving thus made into the payroll savings plan.

Sincerely yours,

The Honorable,

The Secretary of the Treasury.

FS:cf
6-23-43

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Fourth paragraph of final copy.

I therefore join you in calling upon the American people -- and upon labor and management particularly -- to do still more. Additional people should be convinced of the necessity of participating. Everyone now on the payroll savings plan should materially increase the amount of bonds he is buying. We originally asked for 10 percent, but now we need considerably more.

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June 23, 1943

My dear Mr. Secretary:

I want to congratulate you and the American people on the progress that has been made in the voluntary payroll savings plan.

We can be proud of the fact that 27,000,000 patriotic Americans are regularly investing more than $420,000,000 a month in War Bonds. Since all of this money comes from people on wages and salaries -- nearly 90 percent from people earning less than $5,000, and the bulk of it from those working in war plants -- I do not hesitate to say that the payroll savings plan is the greatest single factor we now have in protecting ourselves against inflationary spending.

This is a great record, both from the standpoint of curbing inflation and from the standpoint of financing the war. However, I heartily endorse your present drive to improve that record, and I agree it must be improved if we are to keep pace with the increasing demands of the war.

I am therefore calling upon the American people -- and upon labor and management particularly -- to get this job done. More people must be convinced of the necessity of participating, and everyone enrolled should curtail his spending sufficiently to materially increase the number of bonds he is buying. We originally asked for 10 percent, and now we should ask for and get considerably more.

I am asking every American on a payroll to figure out for himself the maximum that he can invest in the payroll savings plan.

Sincerely yours,

The Honorable,

The Secretary of the Treasury.

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THE WHITE HOUSE
WASHINGTON

June 23, 1943

My dear Mr. Secretary:

I am pleased that you are making good progress with the voluntary payroll savings plan. Since this is the backbone of the entire voluntary war financing program, I think no stone should be left unturned in an effort to enroll every American on a payroll.

I understand that over 26,000,000 patriotic Americans are cooperating with their Government by regularly investing at the rate of $5 billion a year. This is more than 30 percent of the amount of money which we are getting from the Federal income tax, and it has been done with less dislocation than raising the income tax by 30 percent, or by instituting a compulsory savings plan that would bring undue hardship to people whose living costs have gone up, and whose pay has remained at a prewar level.

Since all of this money obviously comes from people on wages and salaries, and the bulk of it from those working in war plants, I do not hesitate to say that the payroll savings plan is the greatest single factor we now have in protecting ourselves against inflationary spending.

I stand solidly behind you in this entire payroll savings project, and if there is anything I can do to help convince the American people of its importance, please call upon me to do it.

Sincerely yours,

The Honorable,

The Secretary of the Treasury.

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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 24, 1943

TO Secretary Morgenthau

FROM Fred Smith

It seemed best not to include the President's corrections on the payroll letter because everyone agreed they were subject to misinterpretation. Some people might think he had decided first to go "whole hog" and say "must", then on rereading the letter decided it wasn't that important.

It isn't too likely that this would have happened often, but if it happened only once in the wrong place, it would cause a lot of damage.

Consequently, we retyped the paragraph including the President's corrections, and are processing the letter that way.

Regraded Unclassified

June 24, 1943
12:54 p.m.

247

Operator: Go ahead.

HMJr: Thank you.

Allan Sproul: Hello.

HMJr: Allan.

S: Yes, Mr. Secretary.

HMJr: How are you?

S: I'm feeling much better, thanks.

HMJr: Good. Uh - I bumped into Eccles this morning and he seems quite adamant that he doesn't want a 1½% note, and I just thought I'd get it first hand from you as to how you felt.

S: Well, I am much in favor of a 2% bond as compared with a 1½% note.

HMJr: Yeah.

S: As we see the market here, while most of the big banks here and in some of the other cities are in favor of the 1½% note, the main pressure upward in the market is still in the 2% area and the smaller banks out through the country, through their buyers - represented by their buying are in - still in favor of and want an obligation in that area.

HMJr: Uh huh.

S: From the standpoint of our own operations and the credit situation....

HMJr: Uh huh.

S: ....we are fearful that if there's not an issue in the 2% area that the present level of rates will be reached - that rates will be moved down and that will move out - move through the whole pattern of rates, and we think it would be undesirable to have a reduction in the interest rate level at this time, both because of its effect on individual purchasers for the present and because of its effect in the post-war situation if we have any lower level of rates to work with than we have now, which we've thought from the beginning was pretty low but was forced upon us by the situation in which we

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S: (Cont'd) entered the war and couldn't be avoided. So that it seemed to us both from the standpoint of what the market indicated it wanted most and from the standpoint of the existing pattern of rates in the market and the effect that that might have on the credit situation now and in the future, that at this time another 2% bond would be much more desirable that a note, leaving that note area which, admitedly, hasn't been touched for almost a year, for a later period when it would be more clearly in the best interest all around to use a note.

HMJr: Where would you put the 2% bond?

S: Well, I think it could be put at the limit of the seven-year period; that is, seven years and eleven months or something like that.

HMJr: Well, I mean just what would that be?

S: In the way of a premium?

HMJr: No. I mean - no, where would it fall?

S: Well, it would fall in the late - the late part of - let's see - this is June - June '43 - that would fall in '51 sometime.

HMJr: '51?

S: Yeah. The call date.

HMJr: I see. But my boys say that that would - I'm alone here - I mean - nobody's here in the room - I meant that they told me the other day that there would be about 20/32nds premium.

S: Well, I don't - I haven't - I'm not at my desk either - I don't know what - I don't recall the exact figures. There would be - priced on that basis - there'd be a substantial premium.

HMJr: Uh huh.

S: But that's the situation we face in the market and if we put out another issue in that area, I think it would damp down that market to some extent and we, perhaps, wouldn't get all of that premium.

HMJr: Well, Eccles spoke of postponing the whole thing now to the middle of July, but I think it's too late to do that, isn't it?

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S: So do I.

HMJr: I mean, the market is set for something Monday, isn't it?

S: Yes, it is.

HMJr: Well, let me ask you another question. If - supposing we did a 2% - are you in favor of opening it to everybody or just to the banks?

S: I'm in favor of having it for the banks alone.

HMJr: I see.

S: I think that your announcement about separation of bank and non-bank financing was taken well and was in a large part of the market interpreted to mean just that....

HMJr: Yeah.

S: ....and it seems to me it would be much more clean-cut and clear cut to have this intervening financing done through the banks as residue financing - the minimum you have to take after you've made the major effort in the drive to get other than banks to come in and that the clean-cut separation would be advantageous.

HMJr: If it was a note would you also make it just to the banks?

S: Yes. I would.

HMJr: Just for the banks.

S: Yes.

HMJr: I see. And so that it wouldn't be mixed up in the people's minds?

S: How's that?

HMJr: I said, then there would be no confusion?

S: No confusion in their minds that you weren't having - you weren't - making open market issues several times a year in addition to the drives - that - un - invited everyone in - that you made your main effort during the drive for non-bank money and that in the intervening

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S: (Cont'd) period you took the smallest amount possible from the banks.

HMJr: That's right.

S: Of course, with the qualification that the war bonds are on sale all the time for the small investor. He's not shut out at any time. He can always get his.

HMJr: Righto. Well, thank you. I'll have another talk with Bell when he gets back.

S: Fine. Thank you.

HMJr: 'Bye.

Regraded Unclassified

June 24, 1943
2:15 p.m.

FINANCING

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Lindow
Mr. Tickton
Mr. Smith
Miss Chauncey
Mr. Schwarz

H.M.JR: Eccles, at this meeting over there, cornered me and gave me quite a song and dance, and then I called up Sproul on the phone. I thought I would hear what he had to say.

You read my conversation with Sproul?

MR. BELL: No.

H.M.JR: I told them to put it on your desk and mark it urgent.

MR. BELL: Well, I missed it then. I didn't see it. I haven't been back very long; maybe that is the reason. I think I know what he said, just about.

H.M.JR: The thing that surprised me was that the thing that they were afraid of was they were going to get lower interest rates unless we sold a two-percent bond, and he said so in just so many words.

MR. BELL: That is right; they are afraid that the interest rates are going down and will get out of line with this established pattern.

H.M.JR: I didn't think he would be quite so bold.

MR. BELL: They are going to establish a new pattern - that is what they are afraid of.

Regraded Unclassified

H.M.JR: Wouldn't that be wonderful? (Laughter)

Well, the one thing where I have changed a little bit is this, and I don't know where Smith is. I wanted him to hear this; it is a matter of public relations. I am leaning more to doing only a bank issue. I don't care what just for the moment. Let me explain why. I have been through this terrific fight with the Fed and all this thing about separating the two things.

(Mr. Smith entered the conference.)

H.M.JR: The way I feel now - we told the people that through the Federal Reserve we are going to sell bank issues to the banks, and through War Finance we are going to sell to the public.

After having done that - I tried to explain it to them - we come out with a mixed issue for both the banks and the public through the Federal Reserve, and I just think it muddies the water all over again.

My feeling is - if I can just run through this a minute - that the issue should be for the banks, and only for the banks. Let's go back. Why did you come to me a month ago and say that we ought to get out an issue for the banks at the end of this month? You (Bell) said to take care of the market, you didn't need the money, and Eccles argued with me. He said, "You can go until the middle of June - June 19 - when you have the other financing."

MR. BELL: July.

H.M.JR: And the only purpose of this issue at this time when we don't need the money was to give the banks something.

Now we come along - we didn't need the money - and we get out an issue which is really - which is a bank issue, but we let the banks in and we let the Federal Reserve sell it to the public, leaving our War Finance

Regraded Unclassified

organization kind of up in the air. Now, I have changed.

MR. BELL: I see you have.

H.M.JR: I have changed, and I don't think it makes sense. I mean, I would much rather - I have changed - I would much rather say that this is a bank issue for the banks, and when we operate through the Federal Reserve we only go to the banks.

I mean, here I am going to go over it once more. We start out to borrow money the end of June ostensibly to help the market - ostensibly to do it through the banks - we don't need the money. Then we come along and get out an issue and let the public in, and we do it through the Federal Reserve after we have had all this fight and said that the Federal Reserve was only to handle the banks and War Finance is to handle everything else. Eccles says, "For God's sake, let it go over until the middle of July."

MR. BELL: You will get the same argument in July, that you are up against the statement you made, that the bank - Federal Reserve is going to do the bank financing. I didn't interpret what you said to mean that you were going to eliminate the public from your regular Treasury offerings when you did your regular Treasury offerings through the Federal Reserve Banks. It seems to me that you get criticism of your whole program, or your whole policy of selling as many securities outside of the banking system by selling just a straight banking issue and saying that nobody else can come in. That is the way it appears to me.

H.M.JR: That is what the argument is about.

MR. BELL: As to doing it the latter part of June, we certainly did advance it two weeks, but what is two weeks in a program of this size? We did do that to help the market, but it also relieves the Treasury of volume, too. We had a billion six to refund in August and at the same time raise two and a half billion; it is quite an undertaking.

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H.M.JR: I would like to get - I want Smith to soak this up. I am leaning now - I know I have changed - more to "What is this for, Mr. Morgenthau? You said we were going to do the thing through the Federal Reserve." This is for the banks, and we are out to get this very large sum of money from the public which we will get through the War Finance Committee on September 9 and the interim financing, and so forth, and so on.

Which do you (Smith) think is best? This is your job. What do you think from the standpoint of getting the Treasury the most favorable break?

MR. SMITH: Strictly from the standpoint of getting the Treasury the best break, it would be to do it the way you are talking about now, because every time you add any confusion into that, then they make the best of it. I mean, the last time you had an offering, Danny - remember here a few weeks ago - the Herald Tribune and the Telegram and practically all the New York papers got the thing all tangled up with the War Bond campaign and the Federal Reserve isolation that we worked up here. It was just in an awful mess, and the stories didn't add up to a thing. They gave them a full column and left you right where the reporter was, which was out over his head some place.

MR. BELL: I don't recall what you mean. We haven't had any offerings since the drive.

MR. SMITH: You had some kind of a Treasury offering; I don't remember what it was. I can find you the clippings.

MR. BELL: We all decided that the bank offering ought to be out of the drive. We are away from the drive two and a half months. Certainly any confusion by that ought to be out of the picture long before the drive.

MR. SMITH: But we have established a long-term proposition here on how the Treasury financing program - the War Finance program - is going to work. You said you were going to let the Federal Reserve people handle the banks, and you didn't say specifically that in drives you

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were going to - as a matter of fact, you said specifically that those would be outside the drives.

MR. BELL: I would like to see just what we did say. I certainly never interpreted it - I would have objected to it strenuously if we were going to leave the Federal Reserve Banks just to do the financing and not have all of our regular issues available to the public.

MR. SMITH: You said the Federal Reserve was going to handle the banks, and I believe it was the insurance companies - the banks and insurance companies.

H.M.JR: And Government bond dealers.

MR. SMITH: That was the thing that was said.

MR. BELL: What are we going to do here, leave the insurance companies out, and the bond dealers - just the banks?

MR. SMITH: What you originally said was the banks and insurance companies, and so on, so presumably as far as your statement is concerned you could put the insurance companies in.

MR. LINDOW: Couldn't you interpret it as meaning just non-individuals, not that you would have to prohibit them? I don't think it calls for that.

MR. SMITH: You could, but you have to interpret it - I think when the announcement of this financing is made you have to explain it pretty thoroughly, however you decide to do it, and you have to relate back to your over-all financing program where this fits into the over-all plan. That is what people don't understand.

MR. HAAS: Is everybody - can I--

H.M.JR: Well, it is an open thing. I got shook this morning the first time when I was sort of going to discuss it in my press conference. Smith shook me then, so we held off on it.

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(Miss Chauncey entered the conference.)

H.M.JR: Would you go through my press conferences? I said something about this next financing would or would not let the public in.

MR. SMITH: He made a statement in the first one that came out - I think the first press release on the reorganization - which said that the Federal Reserve Banks were going to handle the insurance companies and banks and bond dealers. I think it was the first release on the new reorganization.

MR. BELL: Was it in the telegram that you sent out from New York?

MR. SMITH: In all probability it was, because I think the telegram was built out of this.

MR. BELL: New York conference?

MR. SMITH: Out of the conference, and out of this release. I don't remember that specifically.

MR. BELL: It was around the first of June.

(Miss Chauncey left the conference.)

H.M.JR: I didn't want to talk to Eccles. I told you I didn't, but he put me right up against the wall.

But the thing that shook me - I mean, all of this stuff about we can get the money, we can give them the two percent, we can give the one and a half percent - I am not going to argue about that for a minute, although I am going to open it up again. But what I am thinking about is for my War Finance Committee - supposing the War Finance Committee sees this thing coming along - they see the public in it, and they will say, "What does Mr. Morgenthau expect us to do?" I just wonder - if they say, "Well, if it is for the banks - we understand the banks are going through the Federal Reserve, but everything else is going to be for us."

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MR. SMITH: It goes further than that. It goes into the newspaper reporters that have been given a long-term picture of this. We said, first of all, "Here is what we are going to do the first of this year." And after that Second War Loan drive we got down to reorganizing and said, "Here is how it is going to be reorganized." It was all laid out in a nice blueprint for them, and we ought to stick to that blueprint, I think; if we don't we have to explain where the variation is and why.

H.M.JR: Is George going to explode? (Laughter)

MR. HAAS: Just about. (Laughter) I think that - I am not an expert on public relations, what people write, but I can visualize if I were writing on the opposition that I could tear it apart if they come out for banks, because here is the problem - the problem people are worrying about: That there won't be enough sold to individuals. You can't put that problem - reverse it and say, "Well now, that also means that therefore we are going to separate banks from individuals."

We start in by taking care of the bank part - isolate that by itself - and if progress was made tangible, substantial progress, in selling individuals, maybe after the September drive - maybe after December - then maybe you could go ahead and do this and your press reaction might be all right. But the other is all in the future, the real, substantial progress. And I think if the Secretary comes out on this he will be subject to severe criticism. At least I could see how they could write stories.

On the technical things, if you are going to divide all the financing, including the drives and the financing between drives - have it isolated for banks - how are you going to handle the certificate that you are refunding? Part of it is held by banks, part of it by corporations, and so on. You run into some real problems there, and the problems - I don't think that is important.

(Miss Chauncey reentered the conference.)

The important thing about the isolation is to increase sales to individuals. That was the reason for it - and not for the banks.

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Now, these bankers like this thing because it will give the banks the bonds, and they don't have to compete or buy them from dealers and pay premiums on them. Technically it is better if you were a banker, but I think the Secretary at this time would be exposing himself considerably.

H.M.JR: Well, here is the whole thing - May 27, 1943, press conference.

"Q I wanted to ask, Mr. Morgenthau, how far does this third paragraph where it states, 'In order to facilitate the sale of issues of Government securities to commercial banks, mutual savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Banks as fiscal agents of the Treasury to handle sales to these financial institutions separately' - I wanted to know how far that goes toward Mr. Eccles' proposal that you separate.

"A I don't count my paragraphs, evidently, the same.

"Q The fourth paragraph.

"A Well, all I can say is that the Federal Reserve Board was here yesterday, and a number of the presidents, and this statement was worked out with them. So it meets - the statement as it is has their entire approval, and naturally has the Treasury's. Otherwise we wouldn't be issuing it, you see, but the entire Board was here yesterday, plus a number of the presidents of the Banks.

"Q Well, does that contemplate, then, that you might have the individual bond sales drive first, and then leave it for the banks afterwards to take what you didn't get?

"A I can clear that up. The chances are that from now on we will make the offerings to the banks at a separate time from the general drive to the public. The chances are we will separate the two."

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MR. BELL: There it is, "general drive to the public."

H.M.JR: "Q More likely at the end?

"A It depends upon a little bit - we are going to try, if possible, to keep these big public drives to three times a year - certainly not more than four times a year.

"Now, if we have the next offering some time after the first of September - either September or October - it gets down to how much money is in the till. If we need some more money before we have a big public drive, then we would make a bank offering. If, on the other hand, we had enough money in the Treasury, then we could make the public drive first and then the offering to the banks. In other words, it gets down to this, the setting of the time for the public drive is important and the time we offer it to the banks is of secondary importance. Does that clear that up?

"Q Thank you, sir.

"Q Does that involve in any way any change of offerings to banks, such as tap issues, or anything of that nature, or haven't you gotten to that yet?

"A No. We very informally discussed the question of what kind of issues and told them what our needs were, and I asked the Board if they wouldn't - you have always got to help me out--" and so on.

That is pretty clear, isn't it?

MR. BELL: It is clear to me that you are talking about the drive - the public drive. You are not talking about any other type of securities, only to the public.

H.M.JR: I said, based on this thing, that I think it is pretty clear that when we didn't have the big drive we would go to the banks and the insurance companies and the Government bond dealers.

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MR. HAAS: I visualize that the insurance companies would be a part of the drive but maybe separate at the end of the drive rather than at the first, and keep the emphasis on the individual.

H.M.JR: Well, of course that is what I said. It doesn't necessarily mean I have to stick to it. But this is - what we are proposing to do now is different from what I said on May 27.

MR. BELL: I suppose it could be interpreted that way, but I have seen nothing in the papers to indicate that they are expecting an offering to be for banks only, that isn't a regular Treasury public offering.

MR. SMITH: That is not the question. The question is that once this thing goes out these financial editors don't know what the score is - an awful lot of them - and when it goes out they are going to say, "What is all this? He laid down all these regulations once before, and he said that the Federal Reserve System was going to be cut out of the public end of this drive, and that was going to be the War Finance Committee."

That is the impression he has given, and that is the understanding they have got.

Now, if you are going to change that, all I am saying is that the release - the announcement of this financing - has to cover it very carefully, has to explain just what you are doing and why.

If you are not going to, then you can say just what he said there, that this is the bank drive. It happens to be now for such and such a reason instead of at the end of the drive.

MR. HAAS: Fred, weren't you talking then about the drive organization? I thought everybody related all this discussion that you had there to the drive period.

MR. BELL: That is right, that is the way I interpreted it.

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H.M.JR: Well, during the drive we go to the public; on the non-drive we get out an issue through the Fed, going to the banks, the Government bond dealers, the insurance companies. That is what I said. There is no if about it.

MR. SMITH: That is what that says.

H.M.JR: It says so in that fourth paragraph. All I was trying to do was to explain this paragraph.

It says, "In order to facilitate the sale of issues of Government securities to commercial banks, mutual savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Banks as fiscal agents of the Treasury to handle sales to these financial institutions separately."

MR. SMITH: It doesn't say during the drive.

MR. HAAS: I interpreted that another way, which is just as reasonable as any other interpretation, that you could have a drive for so much for individuals, start it off, and then have your Gamble organization handle all that, and then at the end of it you have another one which would contact corporations and insurance companies, and leave the banks out completely to a later date. This latter part would be handled by the Fed organization.

H.M.JR: I can tell you what I had in mind, after reading this thing, that you would have these big drives in which the Federal Reserve and the banks would not participate, in the War Loan drive, and in between times we would finance through the Fed to the banks. That is what I had in mind.

MR. SMITH: You said that in a later press conference.

MR. BELL: Exclusively - is that what you had in mind?

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H.M.JR: That is what I had in mind. I mean I can't change.

MR. HAAS: I think there are some technical problems there, like that certificate, that August thing, and I don't see how that can be handled.

MR. BELL: I didn't interpret it that way.

MR. HAAS: These bankers you had here - none of those fellows did. I don't think anybody in this shop did except Fred.

MR. TICKTON: Your writers haven't indicated in the papers that this was a bank issue. As a matter of fact, they mixed it up.

MR. SMITH: That is just what I am saying.

MR. TICKTON: They mixed it up, said it wasn't a bank issue.

MR. SMITH: But they are getting it all mixed up. I will get those other clippings. It was sometime while we were in New York. It was something - just some minor offering or something, and they twisted that all up. And I will bet that eighty percent of the writers who would handle this for the newspapers would handle it the way I interpret it, which is the way he (the Secretary) said and the way he was thinking.

MR. TICKTON: They haven't written it that way.

MR. SMITH: If you will check on the papers after that, it was written that way - after that press conference.

MR. HAAS: Didn't they ask the Secretary at a press conference relating to this particular financing whether it would be open in general? I thought I saw some comment in the paper.

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MR. LINDOW: The Goldsmith letter said that one thing that seems to be fairly certain is that it is going to be open to banks and others.

H.M.JR: If he said that, I would be against it. (Laughter)

Of course the certificate in July, that is owned by a lot of people, and that is just a refunding and you have to let the owners refund.

The trouble is - the trouble I got myself into right now is this, that we were going to do this thing to help the market. That is what you told me.

MR. BELL: That is right.

H.M.JR: And according to the Fed crowd we are not going to help the market this way.

We can't postpone this thing, can we? We have gone too far. I asked Sproul whether we could postpone the thing, and Sproul says no.

MR. BELL: We don't agree that it won't help the market, do we?

MR. HAAS: I don't like this idea of helping the market. I think it is a bogey you put up. If the market did bulge up, it would be due to this excess reserve, which is a result of this legislation. I think it is a mistake to put much emphasis on that, even though with the figures - in other words, granted that there is a real point that it needs some consideration, Henry's figures show that the note went up faster than the two-percent bond.

MR. BELL: That is right. Anyway, you need the money in two weeks.

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MR. MURPHY: I think the Treasury is being helped more than the market.

H.M.JR: What did Sproul say in the telephone conversation about postponing?

MISS CHAUNCEY: Mr. Eccles spoke of postponing it, and Mr. Sproul said no.

H.M.JR: Sproul said it was too late to postpone. Then we go ahead with it.

Henry, can you give us a couple of two-dollar words for ten cents? (Laughter)

MR. MURPHY: Maybe some dollar ninety-eight ones. (Laughter)

H.M.JR: What do you think?

MR. MURPHY: It seems to me first, technically, that it would be better to have the financing as a straight bank financing.

H.M.JR: What is this?

MR. MURPHY: That just as a straight technical deal it is probably better to do it straight through the banks.

There will, of course, be technical problems any way you want to turn.

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H.M.JR: Technically, which is the best way?

MR. MURPHY: Technically, the best way is having straight bank financing. The persons other than banks that will come in on a quasi-bank financing will be in large amount hangers-on, so to speak, who intend to buy and sell to the banks at a profit. And that causes a certain leakage in bank earnings. That is, the banks have to pay these people a profit, and that means you have to give the banks more in the way of gross earnings in order to let them come out with the same net amount. You could plan things more accurately on a straight bank financing.

With respect to what the market is expecting, I think that a straight bank financing would be news, and the kind of financing that you were contemplating up until now is what the market is expecting.

I am not an expert on public relations, but I think that the market would be surprised at a straight bank financing and not surprised at the other type of deal.

On balance, I favor the kind of deal we proposed in our memorandum. That is a deal which is open to everyone including banks, not because I feel it was technically superior. But on public relations grounds where of course I do not profess to be an expert - but it had seemed to me that the public reaction to financing confined to banks would be bad.

It is our stated objective to do as large a proportion of our financing outside of banks as possible. So far we have done a very large amount of financing in the banks. If our first overt step along the line of seeking a larger financing outside of banks is a financing which is restricted to banks, it seems to me that despite the fact that it is logical, that it would strike people as funny, and that it would give an adverse reaction.

As Mr. Haas said, if in the fall if we have made a major success in financing to non-banking investors, so that the plan looms in the foreground, we would then be

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in a good position to have a straight bank financing. But this is all on the basis of public reaction, which is a tricky business. My appraisal of it may be quite wrong, but from a technical point of view, the straight bank financing is all right.

H.M.JR: Well, now, let's just - I am sorry--

MR. MURPHY: That is all right.

I think that your refundings could be handled quite satisfactorily under it by means of rights where you wanted to perpetuate the old ownership and then when you have the new money, assign it either one way or the other.

H.M.JR: If we did a straight bank financing, I wouldn't even let Government bond dealers in on this.

MR. MURPHY: No.

H.M.JR: And I wouldn't let insurance companies in.

MR. MURPHY: No. Have it absolutely straight.

H.M.JR: Do you agree on that?

MR. BELL: Yes.

H.M.JR: Technically it would be the best way to do it.

MR. BELL: In my opinion.

H.M.JR: On the technical ground, Lindow?

MR. LINDOW: I agree with that. I would like to add one thing, that I don't think that the Federal Reserve organization is a serious problem in this situation. We said that the Fed would handle the bank jobs and the War Finance Committee would handle the non-bank jobs, but this is really a place where the Fed would really be operating as fiscal agent for these non-banking investors who might

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come in, and the Fed will be operating as a fiscal agent for us even in September. So I don't think that would tend to confuse people. They wouldn't be going around trying to get somebody to buy securities.

The people who buy are going to buy because they saw it in the papers that we are going to have it and the Fed isn't going to be making phone calls or sending salesmen around, or anything like that. So I don't think it is going to be a confusing element.

MR. SMITH: You are thinking of a small handful of people. I am thinking of these editors out through the country, and the public generally, and the War Finance Committees which are a long way from us, and they haven't all of this technical background.

I would say, without question, not knowing the technical side of it, that the bank financing operation is a clean operation and I would rather say, if I had the story to write and to make it digestible, I would rather say, "This is going to be a bank financing according to our plans we projected a long time ago" - that we are just going to do that and get it out of the way, see? - create that impression. It would be good and clean, but if we try to - the minute you start getting the public mixed up - public offering - you are going to fuzzy it up, and the minute you fuzzy it up, then all of the people who want to write something can make the best of it. George Wanders will promptly build up something about - "Well, they are trying to call this a public offering like they do everything else. They try to confuse people. They claim that they sold an awful lot to the public. They didn't; they sold a billion and a half to the public in the drive."

So why not just say that this is going to be the bank offering we have been talking about?

MR. TICKTON: You could still write that, Fred, and call it a bank offering, and it doesn't have to mean that you close it to everybody else. The number of people that are going to come into this one and a half percent

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note is a relatively small number of people. They are probably mostly concentrated in New York and Chicago. You wouldn't find them in your other cities. They aren't interested in this particular kind of an offering. They picked up most of their money in April, anyway, and we don't have to worry about them getting so much confused.

MR. SMITH: I am not worried about them getting confused.

MR. TICKTON: You are not worried about them. What you are primarily concerned about are newspaper writers.

H.M.JR: But, now, let me interrupt you, may I, please? May I? You saw it and I want Bell to know about this thing. Here we have the man who has the most power next to the President of the United States, Justice Byrnes, see? He comes in here, has lunch with me, and I bring him upstairs and we go over this thing with him and what does he quote as his authority? Nick Gregory's story in the Tribune. He read that thing and he knew the thing, and that was his source of information. So it isn't just - I mean, you were there.

MR. TICKTON: That is right.

H.M.JR: Now, here is the story in the Tribune and you could see that he didn't want to answer because he was getting a whole new set of figures, but his source of information, as the last word, was Nick Gregory in the Tribune.

MR. TICKTON: But on the next offering Gregory could very well be just as damaging - could say - "We need compulsory savings day before yesterday because, after all, they have to go out with a strictly bank offering - can't do anything else but."

H.M.JR: On that thing, with all due respect to everybody, including myself first - starting with me first - on that thing as to where we go - because we have been getting

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a bad press - now I am trying to get a good one - on that thing, after listening to this fellow, I take Smith's advice. I take your (Tickton's) advice on a lot of other things, and I wouldn't take his, but I brought him in to advise me on this. I have been getting a bad press; I am trying to get a good one.

I interrupted you. You finish your argument.

MR. TICKTON: The only argument was that a very persuasive article would be written in the Herald Tribune by Mr. Gregory based on a purely bank offering, particularly because it is so much news - something that hasn't been done for a very long time. It is something new and he gets the front page, maybe, on it. That is the advantage of following a procedure that you followed heretofore, that he won't get the front page by trying to play up an ordinary Treasury offering. He can't get the front page. He never makes anything but the financial page on such an offering, but he can use this as an opportunity to get another front page. He used the booklet the last time to get the front page and this is another opportunity.

MR. SMITH: I think that is true. I think you have got a liability either way you want to go on it. But I think that making this a bank offering, in view of the fact that you said you were going to make it a bank offering - I think that makes it a clean operation and they can't knock the story around for very long.

Now, if you fuzzy the thing up, they have got all this business of saying you are trying to confuse this with the public offering to make people think that a lot of this money is going to come from the public when, as you say, three hundred million dollars, or something, out of all the billions is coming naturally from the public.

MR. HAAS: Fred, I wonder if somebody can write this - maybe you can handle it - you take Eccles' suggestion - two percent bonds straight to the banks and the man writes a story like this: "Here is the issuance of money, pure and simple; it is nothing else. It is the creation of bank deposits. Why on earth does the Treasury pay two percent to print money?"

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Now, if you keep this thing fuzzy - there is some virtue in keeping it fuzzy - they can't see that thing. I think it is important to do that. (Laughter)

MR. BELL: Of course, the term "bank offering" has been used for a number of years - not that it is strictly for banks, but a type of security which banks should buy. I don't think we have made that in any different category.

MR. HAAS: If I was a banker in the Bankers Association, I would be very much against this position it leaves the banks in.

MR. BELL: That was the position that Fleming - and I think Burgess joined him - he said, "I think, from the public relations standpoint, it would be terrible if the Treasury offered just a security for the banks." He said, "It puts us out there as getting something special, and I don't think we want to be in that position. Politically, it is bad."

MR. HAAS: Another thing, these dealers - they have their virtues, and so on, but anyway, they are an important factor in the market. Their wires are all over the country. If you leave them out, I am afraid you get a situation - the situation might get bad. Another thing I think we take for granted with all this financing is with the terrific deficit you have a strong market. What if you had a weak market on your hands? With all this organization problem, you would really have something. If you follow some of these suggestions - run interest rates up - you might have just that thing on your hands.

MR. MURPHY: That is what is helping the market.

H.M.JR: What is helping the market?

MR. MURPHY: When they say the purpose of this financing is to help the market, that is to help it down. It is the only meaning the term has.

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

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June 24, 1947
2:58 p.m.

HMJr: Mr. Kilgore.

Bernard Kilgore: Yes, sir.

HMJr: Can I ask you some off-the-record advice?

K: You certainly can.

HMJr: I used to get it from Mr. Hogate, when he was well. How is he, by the way?

K: Well, he's - he's getting along pretty good. He isn't able to come in at all, but he's up on his farm and he gets around some up there.

HMJr: Will you give him my regards?

K: I certainly will.

HMJr: Well, now - let's - this is what I'd like to put to you.

K: Uh huh.

HMJr: We're arguing here whether this next financing should be limited strictly to the banks or should be open to everybody. See?

K: Uh huh.

HMJr: Uh - in view of the various statements we've made - and everybody else made - now which way do you think the newspaper editor - the Treasury would get the best press - that's - that's what we want to know.

K: Uh - now wait, I may not quite under....

HMJr: Well, you ask anything you want to know if I don't make myself clear. We're going to offer two and a half billion dollars worth of securities on Monday.

K: Yeah.

HMJr: Now, there are two arguments - two schools of thought. There's one school that says to limit it to the banks - to only let the banks subscribe. And there's another school that says, let anybody subscribe - banks, insurance companies, government bond dealers, corporations, individuals, anybody. Now, it will be done through the Fed. mind you, as our fiscal agent, you see?

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K: The Fed.?

HMJr: We're - we're going to handle it through the Federal Reserve, acting as our fiscal agents.

K: Yeah.

HMJr: It doesn't go through the War Finance Committee at all.

K: Uh huh. Well, I don't see what objection would - what objection there would be to having it open to anybody.

HMJr: You don't?

K: Uh - no - unless ther is something in there that I don't - I don't profess to know a whole lot about it.

HMJr: Well, some of the people thought that if we did it through the Federal Reserve now and open it to everybody, it would be sort of confusing - well, what would it leave for the War Finance Committee to do - you see?

K: Yeah.

HMJr: Would there be any confusion in your mind?

K: Well, I don't see why. I mean - it would be done on a strictly regular basis wouldn't it?

HMJr: Yes, just the way we've always done.

K: I mean - the way you've always done it - the books are open and anybody that wants to buy steps up and buys.

HMJr: That's right.

K: And there's no campaign at all.

HMJr: No campaign. We keep it open - oh - maybe two days.

K: And anybody that wants to step up, can step up and if they don't, they don't.

HMJr: That's right.

K: I wouldn't think it would make any confusion.

HMJr: You don't?

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K: Although, I'd be very glad to talk quietly to some of our people and - and if they have any very - if they have some opinion that's definitely the other way, I'd be very glad to call you back and report.

HMJr: Today, yet. Call me back today, yet.

K: Today, yet.

HMJr: Yes.

K: That is - only in case I....

HMJr: They differ?

K: ....get a contrary view.

HMJr: Well, now let me put it the other way 'round.

K: Yeah.

HMJr: What - what kind of a press would we get if we limit this strictly to the banks?

K: Well, I think you'd get - I think your press would be all right.

HMJr: I mean - would they....

K: I mean those things don't create any great public stir, do you think?

HMJr: No, but I mean amongst the financial writers - professionals, so to speak.

K: Well, I wouldn't - oh - have much to guess on by that - they might, a few of them, wonder why - uh - at a time like this, there would be a limit. I expect you might get some criticism. That's just a guess.

HMJr: Some criticism?

K: You might get some.

HMJr: Yeah.

K: I mean, you've been talking about selling government securities to as many people as possible....

HMJr: Yeah.

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K: ....and here comes an offering which is limited and maybe they wouldn't understand it.

HMJr: Well, now....

K: Some of our financial writers aren't very smart.

HMJr: (Laughs) You're telling me.

K: Huh?

HMJr: You're telling me.

K: (Laughs)

HMJr: Well, anyway, let me - this is the thing that is bothering some of the boys here - see?

K: Uh huh.

HMJr: On May 27th I gave out a press release in which I said - (Where is this thing?) Wait a minute....

K: Hello?

HMJr: I'm just looking - "In order to facilitate the sale of issues of government securities to commercial banks, mutual savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Banks as fiscal agents of the Treasury, to handle sales to these financial institutions separately." Now, what - somebody is going to say I'm going to be inconsistent if I come along now and do one through the Fed. but say anybody can step up, as you put it, and buy.

K: Yeah.

HMJr: I mean, are we making a mountain out of a mole hill?

K: Well, I - would - uh - guess so. Uh - what - I didn't quite hear all you said about that statement.

HMJr: I'll do it again. This is a statement we got out on the 27th of May, and in this fourth paragraph I say: "In order to facilitate the sale of issues of government securities to commercial banks, mutual savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Banks as fiscal agents of the Treasury, to handle sales to these financial institutions separately."

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HMJr: (Cont'd) Hello?

K: Hello.

HMJr: I'm still here.

K: Yeah. Well, then the question would be whether if - after you've made that statement - if you opened it up to everybody....

HMJr: Yeah. Of course, nobody may - most likely - remember that I ever made this statement.

K: Well, they might. Uh - if you opened it up to - now let's see - let me go back again - your alternatives now though are to limit it just strictly to the commercial banks or to open it up to everybody.

HMJr: That's what we're thinking. We'll either do it - let me just ask Bell - he's sitting here (Talks aside to Mr. Bell: "We'l either do it with the banks alone or to everybody, wouldn't we?) Yeah, either to the banks - strictly to the banks or to everybody.

K: Uh - you're not considering opening it to the banks and the insurance companies....

HMJr: No. That - that wouldn't make sense.

K: That would - in other words, the May 27th statement has to be modified in either event.

HMJr: That's right.

K: Well, then I don't see that it - I don't think that it makes much difference which way you modify it....

HMJr: I see.

K: ....because you're going to change it anyway.

HMJr: Well, now, to go back, after having put all these questions - I was trying to - how would you sum up on the advice - I mean - how do you think it - from the standpoint of the press - how it should make the most sense?

K: Well, it seems to me that if you're considering either limiting it strictly to banks, or opening it up to everybody, your chances of favorable reception - uh - are somewhat better opening it to everybody.

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HMJr: I see. Okay.

K: And the May 27th statement isn't going to cut very much ice anyway.

HMJr: I see.

K: You - you'd be more likely to get criticism on limiting it strictly to the banks.

HMJr: I see. Well, if I don't hear from you again between now and five, I'll take it that that's the way the people in your shop feel.

K: That's right.

HMJr: What?

K: If - if I encounter something that would change my mind I will call you back; otherwise, I'll just stand on this.

HMJr: That's right.

K: All right.

HMJr: How's my neighbor up there with those turkeys?

K: Well, you know he - he threw his leg out of joint the other day and he's been in bed for two weeks.

HMJr: Up in the country?

K: Uh huh.

HMJr: For heavens sake!

K: His wife reports that his temper is growing short, too.

HMJr: Really?

K: Yeah. He - he got to wrestling with a big Great Dane dog and he fell over a chair, or something.

HMJr: Is he - will he be home this week end?

K: What's that?

HMJr: Will he be up there this week end?

K: I'm sure he will be.

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HMJr: I'm going to try and drop in and see him.

K: Yes. He's - he's laid up.

HMJr: I see. Well, I'm sorry. Well, I'm very much obliged.

K: You're quite welcome. I sure am glad to hear from you.

HMJr: Thank you.

K: 'Bye.

HMJr: 'Bye.

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H.M.JR: He is a good man. He was head of the Washington Bureau, here. He is smart.

MR. SMITH: I will go along if you just will release it carefully. That is the whole thing, now.

H.M.JR: Well, we had better get busy on the release.

MR. SMITH: I don't feel terribly violent about it one way or the other.

H.M.JR: I think, after talking to Barney, who is a sincere fellow--

MR. SMITH: He knows what it is all about. He is not just a bloke that is trying to write financial copy. That is where we are going to get into trouble.

H.M.JR: No, but I think this, as against what I said yesterday, taking the criticism that here we go out and do a strictly bank issue and giving somebody on the Hill a chance - these fellows that are prejudiced, anyway - I think we had better leave it open. It doesn't make sense, but I think we had better do that.

Now, I think if you could let whoever does the press release do it just as quickly as possible and then show it to Smith--

MR. BELL: The press release will be available the first thing in the morning, but it is always available after you get the terms and circular written. The press release is written around the circular.

But I am wondering if you aren't very careful you are really going to call the public's attention to this difference that you have drawn. I don't think the public has drawn that fine difference. I think the difference was drawn between a drive and other types of financing.

MR. SMITH: I don't think that is true. It wasn't drawn like that.

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As far as over-all impression, I didn't think we ought to draw any attention to anything, but I think in handling the press release you can't just say that you are making a public offering.

MR. TICKTON: "Primarily for banks" you can say.

MR. SMITH: Even if you come out and say "a public offering" and "primarily for banks" any technical man knows what you are talking about, but once you get out of New York and Chicago, you haven't technical men.

MR. LINDOW: Your State committees might misinterpret it. Wouldn't it be a good idea to say that we are doing this financing, but that it is a general financing and no campaign?

MR. BELL: The State committees know that they are going to have a job to do beginning September 9, and they know you have to have some interim financing.

MR. LINDOW: It won't hurt to explain it to them because I think that is the principal element of confusion.

H.M.JR: I think I am going to change, have it for regular Monday morning release - do everything just regular - and only keep it open two days.

MR. BELL: You said at the press conference that it would be released Sunday. That really doesn't make any difference. You have plenty of time. If you make it Sunday morning, you still have plenty of time. We can do that tomorrow.

H.M.JR: All right. But then only let's keep it open two days.

MR. MURPHY: Could I inject, Mr. Secretary, I think you are liable to come in for considerable criticism, and perhaps justifiable - only keeping it open two days. The last issue that was open two days was of long memory. Every issue, I believe, since then has been open three days.

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H.M.JR: O.K. All right.

MR. BELL: You don't have to decide that question until Monday afternoon.

H.M.JR: Don't I?

MR. BELL: No. That is announced Monday afternoon for Tuesday morning's papers.

H.M.JR: All right. We will do it this way - we will see.

MR. BELL: The circulars read, and have read in all cases, that the Secretary of the Treasury offers to the people of the United States two and a half billion of securities. They have all read that way.

MR. SMITH: I don't think you have to change the circular. I think that just a press announcement on the thing has to be put out on the position of this whole War Finance organization. That is all.

MR. BELL: I think we can put in a paragraph to distinguish this from the drive - that this is interim financing and no relation to the drive.

MR. SMITH: Put in a paragraph explaining what the relationship is to the War Finance Committees even if there isn't any.

H.M.JR: Now, who is going to get this circular? It will be ready tomorrow and ought to be mailed to everyone in the forty-eight States with a letter. Who is going to do that?

MR. BELL: I write the circular.

H.M.JR: But I mean explain this thing to the forty-eight States?

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MR. BELL: That I wouldn't do, but I can do it.

MR. SMITH: Why don't you get Mager? He could do that.

MR. BELL: Yes.

H.M.JR: That ought to also go out Friday.

MR. BELL: That ought to go at the same time tomorrow night. Would you like that to go out over your name or Ted's?

H.M.JR: Let it go out over Ted's.

MR. MURPHY: Mr. Secretary, did you make a decision on the basis for bank subscriptions?

MR. BELL: No - the public--

MR. MURPHY: No, I mean on a possible limitation of bank subscriptions.

MR. BELL: We have two points: one, the maturity date of this security - one and a half percent note, September 15, '47. Allan Sproul said that he thought you could make it December, that September was a little rich, but he had to admit that December was a little thin and right on the line. Henry thinks that maybe after the adjustment in the market - after the announcement that it is going to be a note - that the new security might sell slightly below par, so that they are all in favor - Piser agrees, I think, that September 15, '47, is the proper date.

MR. MURPHY: Sproul's technical man, Miller, said it was not really quite worth par but would sell that because it was public, which is no real point. I see no reason for our taking a chance when everybody agrees September is good.

H.M.JR: Now, I didn't know there was any argument about it.

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MR. BELL: No argument to amount to anything. I think everybody will be happy with September 15.

H.M.JR: I thought you and I settled that this morning.

MR. BELL: No, we did not.

(Mr. Schwarz entered the conference.)

H.M.JR: Before the press conference we did. I was going to announce it September 15. I said, "Let's settle it."

MR. BELL: Yes, but I told you we ought to have a little more discussion on both points. I said I thought we could settle the maturity but not the restriction on bank subscriptions.

H.M.JR: Is it settled now as to September 15?

MR. BELL: Yes. The other point is as to whether or not we should have restrictions on bank subscriptions. It was generally agreed among the bankers and also the Federal Reserve people that we should have restrictions on bank subscriptions this time in view of the large subscriptions that we had the previous time.

We talked about it yesterday at lunch and suggested seven percent. The question was whether we should have seven percent on total deposits or seven percent on total assets. Eccles is dead set against using total assets. He says that includes interbank deposits and also War Loan account. He suggests you make it seven percent of total deposits in commercial banks less interbank deposits and War Loan account. Sproul says use that plus one hundred percent of capital and surplus, whichever is higher.

H.M.JR: Going to buy everybody a slide rule in the United States? (Laughter)

Are you all right on the President's letter?

MR. SCHWARZ: Steve Early says O.K.

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H.M.JR: That goes out--

MR. SCHWARZ: It is almost on the way out.

H.M.JR: Thank you.

(Mr. Schwarz left the conference.)

MR. BELL: That would be, I think, a little hard to write and explain.

H.M.JR: I am opposed to it because you have to get a war priority to get slide rules, and a hundred thousand slide rules is damned nonsense. (Laughter)

MR. BELL: Mr. Haas and his group are, I think, opposed to any kind of--

H.M.JR: Is that what you call him, "Mr. Haas" when you get mad at him? (Laughter)

MR. BELL: George, excuse me.

H.M.JR: What do you want, Dan? For gawd's sake, tell me what you want.

MR. BELL: In view of all the differences, I wouldn't be opposed to some restriction if we could make it simple and if we were sure the first time of getting it high enough to get our total subscriptions.

H.M.JR: I will give you one, the one we always used as a formula - X percent of capital and surplus. That is the formula we always use, isn't it?

MR. BELL: Yes, that is the one, I think - I think that is the only one we have used. I don't believe we have ever deviated.

H.M.JR: X percent of the capital and surplus of the bank. Is that right?

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MR. MURPHY: That was it.

H.M.JR: All right, now, I am an orthodox fellow and I don't like New Deal fellows. I don't like a change. (Laughter) You give me the percentage - how much should it be? We used to say what - fifty percent?

MR. BELL: I think we ought to go to a hundred percent, now. What is it, about seven billion?

MR. MURPHY: Yes.

MR. BELL: About seven billion. What is the total capital surplus?

MR. MURPHY: There is no good relationship between capital and surplus of banks and the amount that it has available to invest in Government securities and you--

H.M.JR: Listen, won't somebody tell me what to do and stop arguing with me?

MR. HAAS: I wouldn't do anything. You won't please anybody. Nobody has agreed on how to do it.

H.M.JR: You bring all these arguments in here. I thought it was settled.

MR. HAAS: I am afraid you won't please anybody. One man wants it done one way and another, another way.

H.M.JR: You fellows will have to bear with me because I am overtired and I know it.

MR. MURPHY: Could I make a couple of remarks, Mr. Secretary?

H.M.JR: Sure. Make them funny. (Laughter)

MR. MURPHY: I would like to say that the issues that were put out in April are the only issues which in any way appear to justify making restrictions on bank subscriptions.

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We did have a restriction on bank subscriptions up through April of last year, and those were the days when there was a scarcity of Government securities, and free riding, and so forth. We had to take off the restriction in May because there was no point in restricting things that were scarce, and we haven't had a restriction since. There was no particularly large over-subscription to the two issues that were put out in April.

I would like to read you, if I can, the percentages of bank assets that were subscribed to Government securities during this period.

H.M.JR: It is all right, but may I also remind you that you said could you say two words - but go ahead, Henry. (Laughter)

MR. MURPHY: I meant, I think, a few, Mr. Secretary. (Laughter)

The listings are: two point seven; two point eight; three; two point nine--

H.M.JR: Of what?

MR. MURPHY: You notice how it is running, Mr. Secretary. Then it goes up, five, two, on sort of a rag-tail offering, and then for the two April offerings, nine, one and nine, three.

Now, the whole demand for this restriction is based upon one performance - April. There wasn't the slightest justification for it in figures before.

H.M.JR: That was part of the drive, too.

MR. MURPHY: That is correct.

Now, Chairman Eccles said yesterday, when he was over at the Open Market Committee meeting, that he contemplated a sharp drop in excess reserves as the new legislation with respect to War Loan accounts - War Loan deposits - had its full effect. That is probably sufficient to bring bank subscriptions back under control.

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H.M.JR: Look, Henry, don't give me the argument. When you are all through and done, what is it you want?

MR. MURPHY: I would characterize these particular types of restrictions as damned nonsense. I would so characterize the whole idea of restriction. I think it is a great mistake.

H.M.JR: What do you want? Are you for or against restrictions?

MR. MURPHY: Against it, strongly.

H.M.JR: O.K. You are against it.

MR. MURPHY: Against restrictions.

MR. LINDOW: I am against it.

MR. HAAS: I am against it.

H.M.JR: Are you all Coolidges here?

MR. TICKTON: A hundred percent. We are all against it.

H.M.JR: You are all for Coolidge? (Laughter)

Where are you?

MR. BELL: I am not against it as a general proposition, but I think it would be bad if we did it now and had to change, say, in October back to no restrictions. I think you had better let it ride another time, at least, before you put on restrictions - see whether or not this is a permanent padding.

MR. MURPHY: There is a good chance you will have to go back.

MR. BELL: I said to Allan, "How would you feel if you knew now for certain that you would have to go back next October?"

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He said, "I would recommend against it now."

I said, "That is the way I feel, and I am afraid to take a chance."

H.M.JR: Might just as well. I am sorry to interrupt you, but I am awfully tired - I am saying it again--

MR. MURPHY: That is all right.

H.M.JR: It is much easier just to tell me. Why not let's be a hundred percent anti-Eccles? (Laughter)

MR. HAAS: Now you have something. (Laughter)

H.M.JR: Now, are you all right, Mr. Bell?

MR. BELL: I am ready to shoot.

Regraded Unclassified

June 24, 1943.
3:26 p.m.

Rear Adm. McIntire: You're harder to get than the King of Persia.

HMJr: Well, now how did you...

M: (Laughs)

HMJr: What did you do to try to get me?

M: Plenty.

HMJr: What did you do?

M: What? No, I'll tell you. They put me through the wrong way first. They got me through your Treasury board and you never saw such a struggle.

HMJr: Oh! Oh!

M: No, they did all right....

HMJr: The minute they said Admiral McIntire, like that....

M: No, they did all right. They just shoved me around the other way and I was all right.

HMJr: Oh.

M: We were laughing about it because I got - I'm here to tell you, you've got your gang - they - they certainly look out for you.

HMJr: Yeah.

M: But - uh - look, Henry, what I wanted to be sure was that everything has gotten through to you - that there's no question about the Panacella. penicillin?

HMJr: Nope. Had you given somebody that message?

M: It's all finished.

HMJr: So....

M: You're assured of a plentiful supply....

HMJr: Yeah.

M: ....for the entire thing.

HMJr: How will that get to the - to Elinor in New York?

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M: Keefer is going to look out for that.

HMJr: Keefer is?

M: Yes.

HMJr: Oh.

M: From Boston.

HMJr: Well, you've been in touch with him?

M: Yes. I've had Pat Cushing, my man on the research group - I've had him in touch with him. He talked to him on the telephone just now.

HMJr: Okay. Is that a Dr. Cushing?

M: Yes.

HMJr: And Dr. Cushing has been in touch with Keefer?

M: That's right.

HMJr: And he will - it's up to him to see that Elinor....

M: He has agreed, he has said that he will see that - in fact, he has assured, I think, your people already in New York.....

HMJr: I see.

M: ....that everything will be cared for.

HMJr: Wonderful.

M: Now, if it doesn't work out, all you have to do is let me know, but I'm sure that there'll be no slip.

HMJr: I see. Now, one other little thing. I asked Fox - there's another drug which has been recommended for migrain - and whether he could get me some of that.

M: Yes.

HMJr: I don't know whether he's been able to get it or not. I'll put a little pressure on him. I won't bother you.

M: (Laughs) All right.

Regraded Unclassified

HMJr: My migrains aren't so important but the - other - Elinor's stuff is - so I can forget about it.

M: Well, that's all right. You don't want to - you want to knock it out if you can and you can do a little something for it.

HMJr: But I'll call up Dr. Hyman and tell him that some - Dr. Pat Cushing - is that his name?

M: Yeah. That's right. It's Dr. Cushing - he knows him.

HMJr: Well, is he - is he here with you?

M: Yes, he's in the Navy - but he comes from Cleveland. He's old Harvey Cushing's nephew.

HMJr: Oh, yes. And he talked to Keefer and Keefer will see that Elinor gets enough.

M: Yes, we have complete assurance that they will not lack of having the drug.

HMJr: All right. Thank you ever so much. Good bye.

Regraded Unclassified

June 24, 1943

Present: Captain Kades
Mr. Shere
Mr. Smith
Mrs. McHugh

H.M.JR: Chuck, I told the President what you were doing, and I got the opportunity because he said, "The trouble with Chester Davis is he wants to solve production through inflation." He said, "He is all wrong." So that gave me a chance. I told him about you and how I borrowed you and what you were doing, and were going around, and he was delighted. So he knows about it.

Then he said to me, "Now look, I have a plan, and I can't get anybody to listen to it" - says the President. (Laughter)

He said, "What I want to do" - and sometimes he has these things and they are not too clear - he says, "I would like to divide up the country by counties. I would like to say, for instance, in Dutchess County over a twelve-month period in normal times you have, let's say, so much meat, and then that the distribution would be on the county basis. They would have a distributing basis and the whole thing broken down - I mean on a county quota basis. And if they ate so many pounds of meat--" he said, "I should think through the packers and the railroads you could get the thing. Then you say, 'All right, Dutchess County, our increased production is so much. We have so much more meat so you are entitled to a hundred and four percent' - that was the figure he used.

He said, "And then put the responsibility for the distributing of that meat and the control of the thing on a county board." And then he said, "I am in favor of a ceiling."

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Now, he is very much interested in this question of buying the thing directly. He didn't throw it out the window. He was very much interested. I told him we were approaching this thing - and will you approach the problem from: Can it be done using a county control basis? And you really ought to look up and find out what they do in England. Now, they have appeal boards in England. For instance, my cousin, Arthur Goodhart, is the head of, I think, the whole south of England appeal board. If you haven't got how they handle this thing in England, send a cable to White's man to get a summary right back.

Do you know Arthur Goodhart of Yale?

CAPTAIN KADES: Yes, sir, I have heard of him.

H.M.JR: If you don't know - I know they have an appeal board basis in England, just the way they do the taxes on a local basis, you know. Everything is settled right on a decentralized basis.

But take the President's idea and see what you can do.

CAPTAIN KADES: Yes, sir, I will.

(Mr. Shere entered the conference.)

H.M.JR: And you (Kades) might be interested in the next thing, if I can get Fred Smith.

Who is working on the sales tax?

MR. SHERE: In our shop?

H.M.JR: Yes.

MR. SHERE: Mr. Farioletti.

H.M.JR: I don't know, but let's follow it because if we go along that line for the President, that will give us a chance to go in and lay the whole thing out before him. He is absolutely stumped on this thing, just the way I thought he was. And you know that Bill Myers is advising Chester Davis so that is where Chester Davis gets that. The President is absolutely opposed to that philosophy. He is absolutely opposed to it.

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CAPTAIN KADES: Senator Bankhead said he was going to introduce an amendment to the Commodity Credit bill which would limit subsidies to five hundred million dollars by the RFC, one hundred seventy-five million by Commodity Credit. The meat, coffee, and butter rollback will cost about four hundred and fifty million dollars. So if that passes, because it is more liberal than the amendment that prohibits all subsidies which is also pending before the Banking and Currency Committee it will be better than no subsidies at all.

(Mr. Smith entered the conference, and Mrs. McHugh left the conference.)

H.M.JR: Listen, Fred, get this thing, the President says that nobody is giving him a fresh viewpoint on this sales tax business.

This is Shere, Fred. He isn't a sales tax man, but you (Shere) tell Paul about this. The President wants a speech and a statement built for him on a new approach on the sales tax, showing how this really hits the poor person and the rich person escapes.

He said this fellow that goes on at seven o'clock - Fulton Lewis - went on to say that the way to control this thing is let prices go up and then there won't be any question, the food won't be there to get, and that is the way to control the thing. But he wants a new, fresh story on what this will do to the people, the working classes, you see.

Now, we have got a fellow on the sales tax.

MR. SHERE: We have quite a bit of material, Mr. Secretary.

H.M.JR: Well, as soon as this fellow (Smith) catches his breath, which he hasn't today, I want you to begin to feed it to him so that he can build a story for the President for a speech against the sales tax.

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MR. SHERE: We have a lot of material.

H.M.JR: When Fred Smith can catch his breath--

MR. SHERE: I will get the material together.

H.M.JR: Get it together and have it ready for him. We ought to have something early next week for the President - early next week - a new, fresh viewpoint, nothing hackneyed.

Your people ought to be able to know everything that has been said on it, then let's go at it new. What does it mean to a fellow with two or three thousand dollars - the present prices - what can he get out? By the time you exclude food and the rest of these things, then what is left, as opposed, I think, to this question that - we can get over two billion dollars, Mr. Paul says, from special excise taxes.

MR. SHERE: You can get about that with very steep rates, Mr. Secretary.

H.M.JR: Well, get the material together and have - your people ought to know what has or has not been said. Get a fresh viewpoint to the President, give him the facts, and he will do the rest.

MR. SHERE: Would you like to have in it the amount that you can get out of higher excise taxes as against the sales tax in this speech?

H.M.JR: Yes, give him everything.

MR. SMITH: I can talk to whomever has been working on it. Can we have a meeting tomorrow and talk about it first so I can get an over-all picture of it?

MR. SHERE: Supposing you get in touch with me, and I will bring in the fellows.

(Copy to Captain Kades)

Regraded Unclassified

Thomas Lynch's office:

David J. Speck

Regraded Unclassified

# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUN 24 1943

TO Secretary Morgenthau

FROM Mr. Paul

The Senate yesterday began consideration of the bill to extend Commodity Credit Corporation. The subsidy issue is the principal one involved.

The bill previously reported included a provision which would have the effect of prohibiting the Commodity Credit Corporation from making any direct or indirect subsidies without prior Congressional authorization. Senator Bankhead indicated yesterday that he will propose, as a Committee amendment, a substitute sponsored by Senator Taft, designed to permit a limited use of subsidies. The amendment would prohibit the use of appropriated funds or funds of any Government-owned corporations for direct or indirect subsidies, unless expressly authorized by the Congress, except as follows:

1. The Reconstruction Finance Corporation would be permitted to borrow and use up to $500,000,000 to pay subsidies, or to purchase commodities for sale at a loss, to obtain necessary production of the commodities, or to prevent price increases. This would apply to commitments previously made (the "roll-back" program on meat, butter, and coffee), as well as to commitments made in the future;

2. The Commodity Credit Corporation would be permitted to borrow and use up to $175,000,000 for the same purposes and subject to the same conditions;

3. The President would be authorized to interchange sums, within the limits stated in (1) and (2) above, between the Reconstruction Finance Corporation and the Commodity Credit Corporation; and

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4. The Reconstruction Finance Corporation would be permitted to continue to pay subsidies, without further limit except that of its available funds, for (a) increased transportation costs resulting from the war emergency, and (b) the acquisition of strategic and critical materials necessary to the manufacture of equipment and munitions of war for the Federal Government and the United Nations.

The amendment contains a specific provision making it inapplicable to parity payments, soil conservation payments, benefits to sugar growers, and sales of feed wheat, as now authorized by law.

The foregoing Taft-Bankhead amendment and more restrictive substitute amendments sponsored by Senators Aiken and Gillette, and by Senator Clark, are expected to be voted on today.

R.E.P.

Regraded Unclassified

Bring to my attn
~~7/26/43~~

June 24, 1943

Mr. Blough

Secretary Morgenthau

Mr. Will Davis says he has been making a study for WLB as to various income groups and their net financial position. I suggest you find out who has been doing the work, and get whatever information they have. See ~~Blough's~~ Shoup's memo of 6/24/43.

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June 24, 1943

MEMORANDUM FOR THE SECRETARY:

In Mr. Blough's absence (because of illness) I have checked on the research work going on in WLB with respect to various income groups and their net financial position, in accordance with your memorandum of today.

We have been in touch, during the past few weeks, with Mr. John T. Dunlap, Director of the Research and Statistics Division in WLB. I understand that Mr. Lindow and Mrs. Eaton, of the Treasury's Division of Research and Statistics have been consulting with Mr. Dunlap and with one of his staff members, Mr. Wendell Hance. It may be said, therefore, that we have fairly close relations with the WLB research staff on the matter of income statistics and shall keep each other informed concerning the progress of our respective research projects.

Carlthorp

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PARTICIPATION OF EXECUTIVE OFFICE
OF THE PRESIDENT IN THE PAY-ROLL
SAVINGS PLAN

1/24/43

Regraded Unclassified

## EXECUTIVE OFFICE OF THE PRESIDENT

(Departmental Only)

| Office | Details (Table) | Number of Employees | | | Money | | |
|---|---|---|---|---|---|---|---|
| | | On Roll | Participating | Per Cent | Gross Pay Roll (Monthly) | Monthly Allotment | Per Cent |
| White House | 1 | 50 | 31 | 62.00 | $ 20,525 | $ 1,561 | 7.61 |
| Office of Economic Stabilization | 2 | 10 | 4 | 40.00 | 5,521 | 113 | 2.04 |
| Office for Emergency Management (Central Administrative Services) | 3 | 2,423 | 1,955 | 80.69 | 396,511 | 28,072 | 7.08 |
| Bureau of the Budget | 4 | 560 | 416 | 74.29 | 190,885 | 13,731 | 7.19 |
| National Resources Planning Board | 5 | 166 | 109 | 65.66 | 47,206 | 2,712 | 5.75 |
| TOTAL | | 3,209 | 2,515 | 78.37 | 660,648 | 46,189 | 6.99 |

Regraded Unclassified

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1. WHITE HOUSE

Regraded Unclassified

## TABLE NO. 1

### WHITE HOUSE PROPER
(Exclusive of detailed employees)

| Salary Range | Number of Employees | | | Money | | |
|---|---|---|---|---|---|---|
| | On Roll | Participating | Per Cent | Gross Pay Roll (Monthly) | Monthly Allotment | Per Cent |
| $10,000 | 9 | 6 | 66.67 | $ 7,971.12 | $ 615.00 | 7.72 |
| 8,250 | 1 | 0 | -o- | 739.86 | -o- | -o- |
| 6,500 | 1 | 1 | 100 | 594.02 | 300.00 | 50.50 |
| 6,200 | 1 | 0 | -o- | 569.02 | -o- | -o- |
| 5,600 | 2 | 2 | 100 | 1,038.04 | 87.50 | 8.43 |
| 5,200 | 1 | 1 | 100 | 485.68 | 50.00 | 10.29 |
| 4,600 | 3 | 2 | 66.67 | 1,307.04 | 75.00 | 5.74 |
| 4,000 | 1 | 1 | 100 | 385.68 | 50.00 | 12.96 |
| 3,800 | 2 | 1 | 50 | 738.04 | 37.50 | 5.08 |
| 3,500 | 4 | 3 | 75 | 1,376.08 | 101.26 | 7.36 |
| 3,200 | 2 | 1 | 50 | 638.04 | 30.00 | 4.70 |
| Sub-total | 27 | 18 | 66.67 | 15,842.62 | 1,346.26 | 8.50 |
| Below $3,000 | 23 | 13 | 56.52 | 4,682.46 | 215.00 | 4.59 |
| GRAND TOTAL | 50 | 31 | 62.00 | 20,525.08 | 1,561.26 | 7.61 |

Regraded Unclassified

White House Proper
(Exclusive of detailed employees)

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Early, Stephen T. | $10,000 | $885.68 | -0- | -0- |
| McIntyre, Marvin H. | 10,000 | 885.68 | 150.00 | 16.9 |
| Barnes, James H. | 10,000 | 885.68 | 75.00 | 8.5 |
| Currie, Launchlin | 10,000 | 885.68 | -0- | -0- |
| Daniels, Jonathan | 10,000 | 885.68 | 75.00 | 8.5 |
| McReynolds, William H, | 10,000 | 885.68 | -0- | -0- |
| Mellett, Lowell | 10,000 | 885.68 | 165.00 | 18.6 |
| Niles, David K. | 10,000 | 885.68 | 75.00 | 8.5 |
| Hopkins, Harry L. | 10,000 | 885.68 | 75.00 | 8.5 |
| Total | $90,000 | $7,971.12 | $615.00 | 7.72 |
| Forster, Rudolph | $8,250 | $739.86 | -0- | -0- |
| Casey, Eugene B. | $6,500 | $594.02 | $300.00 | 50.5 |
| Latta, M. C. | $6,200 | $569.02 | -0- | -0- |
| Crim, Howell G. | $5,600 | $519.02 | $50.00 | 9.6 |
| Tully, Grace G. | 5,600 | 519.02 | 37.50 | 7.2 |
| Total | $11,200 | $1,038.04 | $87.50 | 8.43 |
| Thompson, Malvina C. | $5,200 | $485.68 | $50.00 | 10.3 |
| Sanderson, Frank K. | $4,600 | $435.68 | $37.50 | 8.6 |
| Simmons, William D. | 4,600 | 435.68 | -0- | -0- |
| Wagner, Charles C. | 4,600 | 435.68 | 37.50 | 8.6 |
| Total | $13,800 | $1,307.04 | $75.00 | 5.74 |
| Tolley, Adrain B. | $4,000 | $385.68 | $50.00 | 13.0 |
| Ingling, Clarence E. | $3,800 | $369.02 | -0- | -0- |
| Krauss, Dorothea E. | 3,800 | 369.02 | 37.50 | 10.2 |
| Total | $7,600 | $738.04 | $37.50 | 10.2 |

1/ Includes overtime

Regraded Unclassified

White House Proper
(Exclusive of detailed employees)
(Continued)

| Name | Annual Salary | Gross Monthly Sal.[1] | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Hackmeister, Louise L. | $3,500 | $344.02 | $56.26 | 16.4 |
| Miller, Herbert L. | 3,500 | 344.02 | 15.00 | 4.0 |
| Nelson, Percy E. | 3,500 | 344.02 | 30.00 | 8.7 |
| Smith, Ira R. T. | 3,500 | 344.02 | -0- | -0- |
| Total | $14,000 | $1,376.08 | $101.26 | 7.36 |
| Magee, Ralph W. | $3,200 | $319.02 | -0- | -0- |
| Riddier, Jules A. | 3,200 | 319.02 | $30.00 | 9.4 |
| Total | $6,400 | $638.04 | $30.00 | 4.70 |

[1] Includes overtime

Regraded Unclassified

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2. ECON. STAB.

Regraded Unclassified

## TABLE NO. 2

## OFFICE OF ECONOMIC STABILIZATION

| Salary Range | Number of Employees | | | Money | | |
|---|---|---|---|---|---|---|
| | On Roll | Partici-pating | Per Cent | Gross Pay Roll (Monthly) | Monthly Allotment | Per Cent |
| $15,000 | 1 | -o- | -o- | $1,250.00 | -o- | -o- |
| 9,000 | 2 | -o- | -o- | 1,604.72 | -o- | -o- |
| 7,500 | 1 | 1 | 100 | 677.36 | $ 37.50 | 5.54 |
| 7,000 | 1 | -o- | -o- | 635.68 | -o- | -o- |
| 4,600 | 1 | 1 | 100 | 435.68 | 37.50 | 8.61 |
| 3,200 | 1 | -o- | -o- | 319.02 | -o- | -o- |
| Sub-total | 7 | 2 | 28.57 | 4,922.46 | 75.00 | 1.52 |
| Below $3,000 | 3 | 2 | 66.67 | 598.18 | 37.50 | 6.27 |
| GRAND TOTAL | 10 | 4 | 40 | 5,520.64 | 112.50 | 2.04 |

Regraded Unclassified

## Office of Economic Stabilization

| Name | Annual Salary | Gross Monthly Salary 1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Byrnes, James F. | $15,000 | $1,250.00 | -0- | -0- |
| Cohen, Benjamin V. | $9,000 | $802.36 | -0- | -0- |
| Russell, Donald | 9,000 | 802.36 | -0- | -0- |
| Total | $18,000 | $1,604.72 | -0- | -0- |
| Brown, Walter | $7,500 | $677.36 | $37.50 | 5.54 |
| Pritchard, Edward F. | $7,000 | $635.68 | -0- | -0- |
| Connor, Cassie | $4,600 | $435.68 | $37.50 | 8.61 |
| Van Huss, Lotus A. | $3,200 | $319.02 | -0- | -0- |

1/ Includes overtime

Regraded Unclassified

3. O. E. M.

Regraded Unclassified

TABLE NO. 3

CENTRAL ADMINISTRATIVE SERVICES

OFFICE FOR EMERGENCY MANAGEMENT
Washington Office Only
(See Note)

| Salary Range | Number of Employees | | | Money | | |
|---|---|---|---|---|---|---|
| | On Roll | Partici-pating | Per Cent | Gross Pay Roll (Monthly) | Monthly Allotment | Per Cent |
| $9,000 | 1 | 1 | 100.00 | $ 802.36 | $ 75.00 | 9.35 |
| 8,000 | 2 | 2 | 100.00 | 1,438.14 | 112.50 | 7.82 |
| 6,750 | 1 | 1 | 100.00 | 614.86 | 37.50 | 6.10 |
| 6,500 | 8 | 5 | 62.50 | 4,752.16 | 287.50 | 6.05 |
| 6,000 | 2 | 1 | 50.00 | 1,104.72 | 75.00 | 6.79 |
| 5,600 | 9 | 6 | 66.67 | 4,671.18 | 223.75 | 4.79 |
| 4,800 | 2 | 2 | 100.00 | 904.72 | 75.00 | 8.29 |
| 4,600 | 22 | 15 | 68.18 | 9,584.96 | 693.75 | 7.24 |
| 3,800 | 34 | 33 | 97.06 | 12,546.68 | 1,345.00 | 10.72 |
| 3,300 | 1 | 1 | 100.00 | 327.36 | 30.00 | 9.16 |
| 3,200 | 57 | 48 | 84.21 | 18,177.14 | 1,525.00 | 8.39 |
| Sub-total | 139 | 115 | 82.73 | 54,924.28 | 4,480.00 | 8.34 |
| Below $3,000 | 2,284 | 1,840 | 80.56 | 341,587.14 | 23,592.30 | 6.91 |
| GRAND TOTAL | 2,423 | 1,955 | 80.69 | 396,511.42 | 28,072.30 | 7.08 |

Note: This table does not include the following constituent agencies of the Office for Emergency Management: Alien Property Custodian, Office of National Defense, Office of Coordinator of Inter-American Affairs, Office of Defense Transportation, Office of Lend Lease Administration, National War Labor Board, Office of Scientific Research and Development, Office of War Information, War Manpower Commission, War Production Board, War Relocation Authority, Office of Censorship, Office of Price Administration, Board of Economic Warfare, Selective Service System, and Office of Strategic Services.

Regraded Unclassified

## Central Administrative Services

## Office For Emergency Management

| Name | Annual Salary | Gross Monthly Salary 1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Maggs, Douglas | $9,000 | $802.36 | $75.00 | 9.35 |
| Dort, Dallas | $8,000 | $719.02 | $75.00 | 10.43 |
| Stevens, Robert S. | 8,000 | 719.02 | 37.50 | 5.22 |
| Total | $16,000 | $1,438.14 | $112.50 | 7.82 |
| Davidson, Alfred E. | $6,750 | $614.86 | $37.50 | 6.10 |
| Rose, William H. | $6,500 | $594.02 | $37.50 | 6.31 |
| Heiner, R. Graham | 6,500 | 594.02 | -0- | -0- |
| Jago, John W. | 6,500 | 594.02 | -0- | -0- |
| MacCarthy, Shane | 6,500 | 594.02 | 60.00 | 10.10 |
| Howell, J. Carney | 6,500 | 594.02 | 50.00 | 10.10 |
| Thorson, Waldemar | 6,500 | 594.02 | 90.00 | 15.15 |
| Mills, Charles | 6,500 | 594.02 | -0- | -0- |
| Wright, William D. | 6,500 | 594.02 | 50.00 | 8.42 |
| Total | $52,000 | $4,752.16 | $287.50 | 6.05 |
| Corradini, Henry | $6,000 | $552.36 | -0- | -0- |
| Hertsch, James W. | 6,000 | 552.36 | $75.00 | 13.58 |
| Total | $12,000 | $1,104.72 | $75.00 | 6.79 |
| Thompson, Ralph B. | $5,600 | $519.02 | -0- | -0- |
| Walker, D. Merle | 5,600 | 519.02 | -0- | -0- |
| Tillotson, Freeman H. | 5,600 | 519.02 | $50.00 | 9.63 |
| Parnell, Furniss I. | 5,600 | 519.02 | 50.00 | 9.63 |
| Landers, Robert J. | 5,600 | 519.02 | -0- | -0- |
| Davis, Elmer R. | 5,600 | 519.02 | 75.00 | 14.45 |
| Hanson, George F. | 5,600 | 519.02 | -0- | -0- |
| Kerr, Smith P. | 5,600 | 519.02 | 18.75 | 3.61 |
| Transtrum, O. Horton | 5,600 | 519.02 | 30.00 | 5.78 |
| Total | $50,400 | $4,671.18 | $223.75 | 4.79 |
| Sweeney, Thomas | $4,800 | $452.36 | $37.50 | 8.29 |
| Ross, Ellsworth | 4,800 | 452.36 | 37.50 | 8.29 |
| Total | $9,600 | $904.72 | $75.00 | 8.29 |

1/ Includes overtime.

Regraded Unclassified

Regraded Unclassified



**Central Administrative Services**

**Office For Emergency Management**

(Continued)

| Name | Annual Salary | Gross Monthly Salary 1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Madden, Roy R. | $4,600 | $435.68 | $50.00 | 11.48 |
| McNeil, James F. | 4,600 | 435.68 | 75.00 | 17.21 |
| Nolan, James R. | 4,600 | 435.68 | 75.00 | 17.21 |
| Taylor, C. William | 4,600 | 435.68 | 50.00 | 11.48 |
| Hollingsworth, Wilbur G. | 4,600 | 435.68 | 37.50 | 8.61 |
| Molster, John S. | 4,600 | 435.68 | -0- | -0- |
| Helwege, Walter B. | 4,600 | 435.68 | 37.50 | 8.61 |
| Norvell, March B. | 4,600 | 435.68 | 50.00 | 11.48 |
| Misler, Albert D. | 4,600 | 435.68 | 37.50 | 8.61 |
| Gould, George J. | 4,600 | 435.68 | 18.75 | 4.30 |
| Lehman, David S. | 4,600 | 435.68 | -0- | -0- |
| Walther, G. Edward | 4,600 | 435.68 | -0- | -0- |
| Mayer, Charles W. | 4,600 | 435.68 | 50.00 | 11.48 |
| Mixsell, Philip C. | 4,600 | 435.68 | 50.00 | 11.48 |
| Moore, William C. | 4,600 | 435.68 | 50.00 | 11.48 |
| O'Reilly, Leon V. | 4,600 | 435.68 | 37.50 | 8.61 |
| Kaye, Robert | 4,600 | 435.68 | 37.50 | 8.61 |
| Tallman, Henry W. | 4,600 | 435.68 | -0- | -0- |
| Walsh, John P. | 4,600 | 435.68 | -0- | -0- |
| Wilson, George A. | 4,600 | 435.68 | 37.50 | 8.61 |
| Branham, Eric | 4,600 | 435.68 | -0- | -0- |
| Jean, Arch K. | 4,600 | 435.68 | -0- | -0- |
| Total | $101,200 | $9,584.96 | $693.75 | 7.24 |
| Burke, John A. | $3,800 | $369.02 | $37.50 | 10.16 |
| Emerson, Zola A. | 3,800 | 369.02 | 50.00 | 13.55 |
| Hening, J. Burwell | 3,800 | 369.02 | 37.50 | 10.16 |
| Silverman, Joseph M. | 3,800 | 369.02 | 37.50 | 10.16 |
| Agan, W. Max | 3,800 | 369.02 | 75.00 | 20.32 |
| Monticone, William J. | 3,800 | 369.02 | 37.50 | 10.16 |
| Fogel, Edward B. | 3,800 | 369.02 | 37.50 | 10.16 |
| Mahan, John H. | 3,800 | 369.02 | 75.00 | 20.32 |
| Martin, A. James | 3,800 | 369.02 | 37.50 | 10.16 |
| McClure, James M. W. | 3,800 | 369.02 | 37.50 | 10.16 |
| St. Denis, Albert H. | 3,800 | 369.02 | 50.00 | 13.55 |
| Banta, Robert P. | 3,800 | 369.02 | 18.75 | 5.08 |
| Caillouette, Joseph H. | 3,800 | 369.02 | 37.50 | 10.16 |
| Oberheim, Harold L. | 3,800 | 369.02 | 37.50 | 10.16 |
| Monk, Leslie G. | 3,800 | 369.02 | 37.50 | 10.16 |

1/ Includes overtime.

Central Administrative Services

Office For Emergency Management

(Continued)

| Name | Annual Salary | Gross Monthly Salary | Monthly Allotment for Bonds 1/ | Per Cent |
|---|---|---|---|---|
| Murray, Frank B. | $3,800 | $369.02 | $18.75 | 5.08 |
| Penn, James A. | 3,800 | 369.02 | 18.75 | 5.08 |
| Baskfield, Genevieve M. | 3,800 | 369.02 | 18.75 | 5.08 |
| Lebowitz, Harry | 3,800 | 369.02 | 37.50 | 10.16 |
| Restein, Harold J. | 3,800 | 369.02 | 37.50 | 10.16 |
| Wells, Albert E. | 3,800 | 369.02 | 15.00 | 4.06 |
| Potter, H. Stewart | 3,800 | 369.02 | 25.00 | 6.77 |
| Tripp, Henry E. | 3,800 | 369.02 | 112.50 | 30.49 |
| Palmer, Cleed O. | 3,800 | 369.02 | 37.50 | 10.16 |
| Pelkey, William | 3,800 | 369.02 | 37.50 | 10.16 |
| Mulligan, William | 3,800 | 369.02 | 75.00 | 20.32 |
| Walker, Marion B. | 3,800 | 369.02 | 37.50 | 10.16 |
| Conklin, George R. | 3,800 | 369.02 | 37.50 | 10.16 |
| Casyo, George M. | 3,800 | 369.02 | 30.00 | 8.13 |
| Hutcheson, Royston W. | 3,800 | 369.02 | -0- | -0- |
| Johnstone, James R. | 3,800 | 369.02 | 37.50 | 10.16 |
| Leonard, Anna F. | 3,800 | 369.02 | 37.50 | 10.16 |
| McKenzie, Richard C. | 3,800 | 369.02 | 50.00 | 13.55 |
| McDaniel, Bruce L. | 3,800 | 369.02 | 37.50 | 10.16 |
| Total | $129,200 | $12,546.68 | $1,345.00 | 10.72 |
| Harrison, David L. | $3,300 | $327.36 | $30.00 | 9.16 |
| Atkins, Carl | $3,200 | $319.02 | $25.00 | 7.84 |
| Lapelle, Zebedde | 3,200 | 319.02 | 37.50 | 11.75 |
| Marsh, W. Henry | 3,200 | 319.02 | 37.50 | 11.75 |
| Linderman, Gayle O. | 3,200 | 319.02 | -0- | -0- |
| Martin, Mary D. | 3,200 | 319.02 | 75.00 | 23.50 |
| Cohen, Richard | 3,200 | 319.02 | 25.00 | 7.84 |
| Sinclair, Charles C., Jr. | 3,200 | 319.02 | 25.00 | 7.84 |
| Brasse, Charles M. | 3,200 | 319.02 | 37.50 | 11.75 |
| Jacobs, Ephrain | 3,200 | 319.02 | 37.50 | 11.75 |
| Kirchoff Frank A. | 3,200 | 319.02 | -0- | -0- |
| Kreh, Paul V. | 3,200 | 319.02 | -0- | -0- |
| Shannon, Oscar L. | 3,200 | 319.02 | 18.75 | 5.88 |
| Wanner, Carol F. | 3,200 | 319.02 | 37.50 | 11.75 |
| Arnold, George C. | 3,200 | 319.02 | 15.00 | 4.70 |
| Huntington, Charles L. | 3,200 | 319.02 | 30.00 | 9.40 |
| Palmer, Walter Spencer | 3,200 | 319.02 | -0- | -0- |

1/ Includes overtime.

Regraded Unclassified

## Central Administrative Services
## Office For Emergency Management
(Continued)

| Name | Annual Salary | Gross Monthly Salary 1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Hisslein, Harry B. | $3,200 | $319.02 | $ 7.50 | 2.35 |
| Monson, Matthis P. | 3,200 | 319.02 | 25.00 | 7.84 |
| Hector, Louis J. | 3,200 | 319.02 | -0- | -0- |
| Crellin, Warren O. | 3,200 | 319.02 | 37.50 | 11.75 |
| Flannery, William C. | 3,200 | 319.02 | -0- | -0- |
| Jardine, Charles H. | 3,200 | 319.02 | 37.50 | 11.75 |
| Drew, Andrew J. | 3,200 | 319.02 | 25.00 | 7.84 |
| Mintzer, George | 3,200 | 319.02 | 18.75 | 5.88 |
| Dunlap, William | 3,200 | 319.02 | 25.00 | 7.84 |
| Smith, Norman | 3,200 | 319.02 | 25.00 | 7.84 |
| Fees, Don C. | 3,200 | 319.02 | 37.50 | 11.75 |
| Conklin, Paul E. | 3,200 | 319.02 | 18.75 | 5.88 |
| Deckard, F. Edwin | 3,200 | 319.02 | -0- | -0- |
| Kane, William | 3,200 | 319.02 | 37.50 | 11.75 |
| Cross, Robert H. | 3,200 | 319.02 | 18.75 | 5.88 |
| Curley, Ann M. | 3,200 | 319.02 | 37.50 | 11.75 |
| Miller, Margaret S. | 3,200 | 319.02 | 37.50 | 11.75 |
| Ottilie, Marvin J. | 3,200 | 319.02 | 37.50 | 11.75 |
| Ward, Joan M. | 3,200 | 319.02 | 25.00 | 7.84 |
| Watkins, Edith M. | 3,200 | 319.02 | 25.00 | 7.84 |
| Coffman, Ralph K. | 3,200 | 319.02 | 75.00 | 23.50 |
| Philpott, Reginald F. | 3,200 | 319.02 | 50.00 | 15.67 |
| Samsel, Howard M. | 3,200 | 319.02 | 18.75 | 5.88 |
| Walters, Ellen C. | 3,200 | 319.02 | 25.00 | 7.84 |
| Weber, Brom | 3,200 | 319.02 | 30.00 | 9.40 |
| Windingland, Einor | 3,200 | 319.02 | -0- | -0- |
| Bubley, Claire J. | 3,200 | 319.02 | 75.00 | 23.50 |
| Daniels, Anne | 3,200 | 319.02 | 37.50 | 11.75 |
| Epstein, Jessy | 3,200 | 319.02 | 37.50 | 11.75 |
| Haberer, Clair | 3,200 | 319.02 | 37.50 | 11.75 |
| Kuskin, Jean | 3,200 | 319.02 | 25.00 | 7.84 |
| Peak, Leonard | 3,200 | 319.02 | -0- | -0- |
| Picklesimer, Gladys E. | 3,200 | 319.02 | 18.75 | 5.88 |
| Theil, Robert I. | 3,200 | 319.02 | 30.00 | 9.40 |
| Watson, Braxton O. | 3,200 | 319.02 | 37.50 | 11.75 |
| Watson, Ida Z. | 3,200 | 319.02 | 37.50 | 11.75 |
| Jones, Lynn V. | 3,200 | 319.02 | 37.50 | 11.75 |
| Kelly, Joseph A. | 3,200 | 319.02 | 12.50 | 3.92 |
| Smith, Kathlyn | 3,200 | 319.02 | 18.75 | 5.88 |
| Snoddy, Ralph D. | 3,200 | 319.02 | 25.00 | 7.84 |
| Tapper, Douglas | 3,200 | 319.02 | 18.75 | 5.88 |
| Total | $182,400 | $18,177.14 | $1,525.00 | 8.39 |

1/ Includes overtime.

Regraded Unclassified

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4. BUDGET

Regraded Unclassified

TABLE NO. 4

BUREAU OF THE BUDGET

| Salary Range | Number of Employees | | | Money | | |
|---|---|---|---|---|---|---|
| | On Roll | Partici-pating | Per Cent | Gross Pay Roll (Monthly) | Monthly Allotment | Per Cent |
| $10,000 | 3 | 1 | 33.33 | $ 2,657.04 | $ 75.00 | 2.82 |
| 9,000 | 3 | 2 | 66.67 | 2,407.08 | 187.50 | 7.79 |
| 8,500 | 1 | 1 | 100.00 | 760.68 | 200.00 | 26.29 |
| 8,250 | 4 | 3 | 75.00 | 2,959.44 | 345.00 | 11.66 |
| 8,000 | 6 | 3 | 50.00 | 4,314.12 | 262.50 | 6.08 |
| 6,750 | 8 | 7 | 87.50 | 4,918.88 | 367.50 | 7.47 |
| 6,500 | 23 | 18 | 78.26 | 13,662.46 | 1,123.76 | 8.23 |
| 6,200 | 9 | 4 | 44.44 | 5,121.18 | 237.50 | 4.64 |
| 6,000 | 8 | 7 | 87.50 | 4,418.88 | 337.50 | 7.64 |
| 5,800 | 7 | 5 | 71.43 | 3,749.76 | 210.00 | 5.60 |
| 5,600 | 56 | 43 | 76.79 | 29,065.12 | 2,129.17 | 7.33 |
| 5,200 | 4 | 4 | 100.00 | 1,942.72 | 162.50 | 8.36 |
| 5,000 | 3 | 2 | 66.67 | 1,407.06 | 87.50 | 6.22 |
| 4,800 | 8 | 3 | 32.50 | 3,618.88 | 105.00 | 2.90 |
| 4,600 | 66 | 51 | 77.27 | 28,754.88 | 2,315.83 | 8.05 |
| 4,200 | 1 | 1 | 100.00 | 402.36 | 37.50 | 9.32 |
| 4,000 | 3 | 3 | 100.00 | 1,057.04 | 86.25 | 8.16 |
| 3,800 | 39 | 32 | 82.05 | 14,391.78 | 1,186.75 | 8.12 |
| 3,700 | 1 | 1 | 100.00 | 360.68 | 18.75 | 5.20 |
| 3,500 | 6 | 5 | 83.33 | 2,064.12 | 137.50 | 6.66 |
| 3,400 | 1 | 1 | 100.00 | 335.68 | 18.75 | 5.59 |
| 3,300 | 2 | 1 | 50.00 | 654.72 | 30.00 | 4.58 |
| 3,200 | 22 | 15 | 68.18 | 7,018.44 | 408.01 | 5.81 |
| 3,100 | 1 | 1 | 100.00 | 310.68 | 12.50 | 4.02 |
| 3,000 | 1 | 1 | 100.00 | 302.36 | 30.00 | 9.92 |
| Sub-total | 286 | 215 | 75.17 | 136,656.04 | 10,112.27 | 7.40 |
| Below $3,000 | 274 | 201 | 73.36 | 54,228.58 | 3,618.59 | 6.67 |
| GRAND TOTAL | 560 | 416 | 74.29 | 190,884.62 | 13,730.86 | 7.19 |

Regraded Unclassified

## Bureau of the Budget

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Coy, Wayne | $10,000 | $885.68 | $75.00 | 8.47 |
| Smith, Harold D. | 10,000 | 885.68 | -0- | -0- |
| Waite, Henry | 10,000 | 885.68 | -0- | -0- |
| Total | $30,000 | $2,657.04 | $75.00 | 2.82 |
| Kemp, Edward G. | $9,000 | $802.36 | $112.50 | 14.02 |
| Rice, Stuart A. | 9,000 | 802.36 | 75.00 | 9.35 |
| Biddle, Eric A. | 9,000 | 802.36 | -0- | -0- |
| Total | $27,000 | $2,407.08 | $187.50 | 7.79 |
| Clark, Elmer W. | $8,500 | $760.68 | $200.00 | 26.29 |
| Total | $8,500 | $760.68 | $200.00 | 26.29 |
| Stone, Donald C. | $8,250 | $739.86 | $75.00 | 10.14 |
| Martin, Leo C. | 8,250 | 739.86 | 120.00 | 16.22 |
| Jones, J. Weldon | 8,250 | 739.86 | 150.00 | 20.27 |
| Bailey, Frederick J. | 8,250 | 739.86 | -0- | -0- |
| Total | $33,000 | $2,959.44 | $345.00 | 11.66 |
| Lawton, Frederic J. | $8,000 | $719.02 | $37.50 | 5.22 |
| Garber, J. Otis | 8,000 | 719.02 | -0- | -0- |
| Scott, James E. | 8,000 | 719.02 | -0- | -0- |
| Vining, Reuben D. | 8,000 | 719.02 | -0- | -0- |
| Loeffler, Herman C. | 8,000 | 719.02 | 75.00 | 10.43 |
| Leonard, William R. | 8,000 | 719.02 | 150.00 | 20.86 |
| Total | $48,000 | $4,314.12 | $262.50 | 6.08 |
| Hoelscher, Leonard W. | $6,750 | $614.86 | $50.00 | 8.13 |
| Levi, Fred E. | 6,750 | 614.86 | 62.50 | 10.16 |
| McNamara, Fred J. | 6,750 | 614.86 | 45.00 | 7.32 |
| Carey, Charles E. | 6,750 | 614.86 | 75.00 | 12.20 |
| Dodd, Samuel M. | 6,750 | 614.86 | 37.50 | 6.10 |
| Randall, Robert H. | 6,750 | 614.86 | 37.50 | 6.10 |
| Bean, Louis H. | 6,750 | 614.86 | 60.00 | 9.76 |
| Almond, Virgil L. | 6,750 | 614.86 | -0- | -0- |
| Total | $54,000 | $4,918.88 | $367.50 | 7.47 |
| Hard, James H. | $6,500 | $594.02 | $37.50 | 6.31 |
| Sheppard, Sherman S. | 6,500 | 594.02 | 56.26 | 9.47 |
| Shipman, George A. | 6,500 | 594.02 | -0- | -0- |
| Stein, Sydney, Jr. | 6,500 | 594.02 | 100.00 | 16.83 |
| Young, Edgar B. | 6,500 | 594.02 | 50.00 | 8.42 |
| Baker, Edgar R. | 6,500 | 594.02 | 50.00 | 8.42 |
| Beecher, Benjamin S. | 6,500 | 594.02 | 75.00 | 12.63 |
| Fox, A. Ross | 6,500 | 594.02 | -0- | -0- |
| Hunter, Burton L. | 6,500 | 594.02 | 75.00 | 12.63 |
| Mitchell, Byron | 6,500 | 594.02 | -0- | -0- |

Regraded Unclassified

**Bureau of the Budget**
(continued)

| Name | Annual Salary | Gross Monthly Sal.[1] | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Moe, Gustave A. | $6,500 | $594.02 | $37.50 | 6.31 |
| Patterson, Robert C. | 6,500 | 594.02 | 37.50 | 6.31 |
| McCandless, William F. | 6,500 | 594.02 | 60.00 | 10.10 |
| Sibley, Elbridge | 6,500 | 594.02 | -0- | -0- |
| Cummins, Elmer T. | 6,500 | 594.02 | 50.00 | 8.42 |
| Marsh, Howard R. | 6,500 | 594.02 | 75.00 | 12.63 |
| Kelly, James L. | 6,500 | 594.02 | -0- | -0- |
| Cady, George J. | 6,500 | 594.02 | 75.00 | 12.63 |
| Colm, Gerhard | 6,500 | 594.02 | 50.00 | 8.42 |
| David, Paul T. | 6,500 | 594.02 | 62.50 | 10.52 |
| Wendzel, Julius T. | 6,500 | 594.02 | 75.00 | 12.63 |
| Riley, Donald C. | 6,500 | 594.02 | 120.00 | 20.20 |
| Stapp, Peyton | 6,500 | 594.02 | 37.50 | 6.31 |
| Total | $149,500 | $13,662.46 | $1,123.76 | 8.23 |
| Evans, Donald P. | 6,200 | 569.02 | 75.00 | 13.18 |
| Jones, Melvin | 6,200 | 569.02 | -0- | -0- |
| Keddy, John L. | 6,200 | 569.02 | -0- | -0- |
| Mackey, James H. | 6,200 | 569.02 | 37.50 | 6.59 |
| Mattingly, William E. | 6,200 | 569.02 | 50.00 | 8.79 |
| Ramsey, George E., Jr. | 6,200 | 569.02 | 75.00 | 13.18 |
| McClellan, John L. | 6,200 | 569.02 | -0- | -0- |
| Hevenor, Herman P. | 6,200 | 569.02 | -0- | -0- |
| Zehring, Robert W. | 6,200 | 569.02 | -0- | -0- |
| Total | $55,800 | $5,121.18 | $237.50 | 4.64 |
| Rogers, William J. | $6,000 | $552.36 | $50.00 | 9.05 |
| Stern, Beatrice M. | 6,000 | 552.36 | 75.00 | 13.58 |
| Righter, Chester E. | 6,000 | 552.36 | 37.50 | 6.79 |
| Hynerman, Charles S. | 6,000 | 552.36 | 37.50 | 6.79 |
| Key, Valdimer O. | 6,000 | 552.36 | 50.00 | 9.05 |
| Russell, John C. | 6,000 | 552.36 | -0- | -0- |
| Rygh, Milton | 6,000 | 552.36 | 50.00 | 9.05 |
| Bounds, Roger J. | 6,000 | 552.36 | 37.50 | 6.79 |
| Total | $48,000 | $4,418.88 | $337.50 | 7.64 |
| Atkinson, Raymond C. | $5,800 | $535.68 | $50.00 | 9.33 |
| Broadbent, Sam R. | 5,800 | 535.68 | 25.00 | 4.67 |
| Dorton, Randall M. | 5,800 | $535.68 | 37.50 | 7.00 |
| Knight, Hale G. | 5,800 | 535.68 | -0- | -0- |
| Rigsby, Radford W. | 5,800 | 535.68 | -0- | -0- |
| Simpson, Albert M. | 5,800 | 535.68 | 37.50 | 7.00 |
| Trott, Fred P. | 5,800 | 535.68 | 60.00 | 11.20 |
| Total | $40,600 | $3,749.76 | $210.00 | 5.60 |

Regraded Unclassified

Bureau of the Budget
(continued)

| Name | Annual Salary | Gross Monthly Sal.[1] | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Armstrong, William J. | $5,600 | $519.02 | -0- | -0- |
| Malone, Paul E. | 5,600 | 519.02 | $46.66 | 8.99 |
| Miles, Arnold | 5,600 | 519.02 | 37.50 | 7.23 |
| Templeton, Richard H. | 5,600 | 519.02 | 37.50 | 7.23 |
| Carr, Josiah L. | 5,600 | 519.02 | 75.00 | 14.45 |
| Curran, Charles D. | 5,600 | 519.02 | -0- | -0- |
| Connelly, Earl J. | 5,600 | 519.02 | 37.50 | 7.23 |
| Graef, Harry J. | 5,600 | 519.02 | 75.00 | 14.45 |
| Horn, Albert J. | 5,600 | 519.02 | 50.00 | 9.63 |
| Johannes, George | 5,600 | 519.02 | 37.50 | 7.23 |
| Ollis, Clyde L. | 5,600 | 519.02 | -0- | -0- |
| Parsons, William W. | 5,600 | 519.02 | 18.75 | 3.61 |
| Ring, Laurence E. | 5,600 | 519.02 | 37.50 | 7.23 |
| Rolison, Ernest A. | 5,600 | 519.02 | 37.50 | 7.23 |
| Schwartz, Carl H., Jr. | 5,600 | 519.02 | 75.00 | 14.45 |
| Smith, William Henry | 5,600 | 519.02 | -0- | -0- |
| Stowe, David H. | 5,600 | 519.02 | 50.00 | 9.63 |
| Ward, Harry L. | 5,600 | 519.02 | 50.00 | 9.63 |
| Whitney, Lavern G. | 5,600 | 519.02 | 50.00 | 9.63 |
| Wilber, Edward B. | 5,600 | 519.02 | 37.50 | 7.23 |
| Greenman, John R. | 5,600 | 519.02 | 75.00 | 14.45 |
| Labovitz, Israel M. | 5,600 | 519.02 | 30.00 | 5.78 |
| Reeve, Joseph E. | 5,600 | 519.02 | 75.00 | 14.45 |
| Smithries, Arthur | 5,600 | 519.02 | 75.00 | 14.45 |
| Willmott, John F. | 5,600 | 519.02 | -0- | -0- |
| Barton, Frank L. | 5,600 | 519.02 | 37.50 | 7.23 |
| Cohn, David N. | 5,600 | 519.02 | -0- | -0- |
| Kolesnikoff, Vladimer | 5,600 | 519.02 | 50.00 | 9.63 |
| Leong, Ya Sing | 5,600 | 519.02 | 50.00 | 9.63 |
| Milliken, Margaret | 5,600 | 519.02 | 75.00 | 14.45 |
| Mills, Thomas J. | 5,600 | 519.02 | -0- | -0- |
| Love, Joseph J., Jr. | 5,600 | 519.02 | -0- | -0- |
| Stone, Howard W. | 5,600 | 519.02 | 37.50 | 7.23 |
| Swanson, Ernst W. | 5,600 | 519.02 | 75.00 | 14.45 |
| Bryan, Stanton F. | 5,600 | 519.02 | 50.00 | 9.63 |
| Craine, Lyle E. | 5,600 | 519.02 | 37.50 | 7.23 |
| Hall, William O. | 5,600 | 519.02 | 45.00 | 8.67 |
| Hanum, Erwin C. | 5,600 | 519.02 | 45.00 | 8.67 |
| Kehrli, Herman | 5,600 | 519.02 | 56.26 | 10.84 |
| Schaub, William F. | 5,600 | 519.02 | 50.00 | 9.63 |
| Staats, Elmer B. | 5,600 | 519.02 | 12.50 | 2.41 |
| Barringer, John M. | 5,600 | 519.02 | 37.50 | 7.23 |
| Back, Dudley R. | 5,600 | 519.02 | -0- | -0- |
| Fahey, Austin A. | 5,600 | 519.02 | 37.50 | 7.23 |
| May, Elizabeth S. | 5,600 | 519.02 | 37.50 | 7.23 |

Regraded Unclassified

Bureau of the Budget
(Continued)

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | er cent |
|---|---|---|---|---|
| Flook, Norman S. | $5,600 | $519.02 | $75.00 | 14.45 |
| Keppel, Paul H. | 5,600 | 519.02 | 37.50 | 7.23 |
| Kennedy, William H. | 5,600 | 519.02 | 75.00 | 14.45 |
| Sadow, Sigmund | 5,600 | 519.02 | -0- | -0- |
| Wells, Warren A. | 5,600 | 519.02 | -0- | -0- |
| Bain, Gordon M. | 5,600 | 519.02 | 37.50 | 7.23 |
| Gosnell, Harold F. | 5,600 | 519.02 | -0- | -0- |
| Cann, Arthur T. | 5,600 | 519.02 | 75.00 | 14.45 |
| McCauley, Leroy C. | 5,600 | 519.02 | -0- | -0- |
| Skeen, John A. | 5,600 | 519.02 | 50.00 | 9.63 |
| Vawter, Wallace R. | 5,600 | 519.02 | 37.50 | 7.23 |
| Total | $313,600 | $29,065.12 | $2,129.17 | 7.33 |
| Snyder, William H. | 5,200 | 485.68 | 37.50 | 7.72 |
| Walling, Herschl C. | 5,200 | 485.68 | 37.50 | 7.72 |
| Wood, Merle K. | 5,200 | 485.68 | 37.50 | 7.72 |
| Fassett, H. Loren | 5,200 | 485.68 | 50.00 | 10.29 |
| Total | $20,800 | $1,942.72 | $162.50 | 8.36 |
| Mills, Taylor M. | 5,000 | 469.02 | 37.50 | 8.00 |
| Michelmore, Laurence D. | 5,000 | 469.02 | -0- | -0- |
| Rosen, S. McKee | 5,000 | 469.02 | 50.00 | 10.66 |
| Total | $15,000 | $1,407.06 | $87.50 | 6.22 |
| Bennett, Edward J. | 4,800 | 452.36 | -0- | -0- |
| Johnston, Robert W. | 4,800 | 452.36 | -0- | -0- |
| Porterfield, Robert J. | 4,800 | 452.36 | -0- | -0- |
| Bockman, Charles H. | 4,800 | 452.36 | 30.00 | 6.63 |
| Wenderoth, Frederick F. | 4,800 | 452,36 | 37.50 | 8.29 |
| Bergholz, E. Roy | 4,800 | 452.36 | 37.50 | 8.29 |
| Bowers, Edward B. | 4,800 | 452.36 | -0- | -0- |
| Skulley, Gerald F. | 4,800 | 452.36 | -0- | -0- |
| Total | $38,400 | $3,618.88 | $105.00 | 2.90 |
| Sampson, Robert C. | 4,600 | 435.68 | 37.50 | 8.61 |
| Andrews, Russell P. | 4,600 | 435.68 | -0- | -0- |
| Burton, Ralph J. | 4,600 | 435.68 | 45.00 | 10.33 |
| Carlston, Chas. O. | 4,600 | 435.68 | 25.00 | 5.74 |
| Cook, John A. | 4,600 | 435.68 | 37.50 | 8.61 |
| Cooper, John H. | 4,600 | 435.68 | 37.50 | 8.61 |

1/ Includes overtime.

Regraded Unclassified

Bureau of the Budget
(Continued)

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Cooper, Weldon | $4,600 | $435.68 | $37.50 | 8.61 |
| Finan, Wm. F. | 4,600 | 435.68 | -0- | -0- |
| Fite, Harry H. | 4,600 | 435.68 | 37.50 | 8.61 |
| Gordon, Stanley T. | 4,600 | 435.68 | 37.50 | 8.61 |
| Heavenrick, Max P., Jr. | 4,600 | 435.68 | 12.50 | 2.87 |
| Lilienfield, Henry J. | 4,600 | 435.68 | 12.50 | 2.87 |
| Madden, Martin K. | 4,600 | 435.68 | 37.50 | 8.61 |
| Mandell, Daniel M. | 4,600 | 435.68 | 45.00 | 10.33 |
| Noe, James J. | 4,600 | 435.68 | 50.00 | 11.48 |
| Platt, C. Spencer | 4,600 | 435.68 | 37.50 | 8.61 |
| Schwarzwalder, George F. | 4,600 | 435.68 | 37.50 | 8.61 |
| Vasey, Harold B. | 4,600 | 435.68 | 37.50 | 8.61 |
| Bellett, Harry B. | 4,600 | 435.68 | 37.50 | 8.61 |
| Moll, Wm. K. | 4,600 | 435.68 | 50.00 | 11.48 |
| Holmes, Franklin A. | 4,600 | 435.68 | 37.50 | 8.61 |
| Graves, Thomas J. | 4,600 | 435.68 | -0- | -0- |
| Hulton, Charles M. | 4,600 | 435.68 | 37.50 | 8.61 |
| Landers, Frank M. | 4,600 | 435.68 | -0- | -0- |
| Miller, J. Clayton | 4,600 | 435.68 | 37.50 | 8.61 |
| Pfleger, William, Jr. | 4,600 | 435.68 | 37.50 | 8.61 |
| Richardson, John F., Jr. | 4,600 | 435.68 | 18.75 | 4.30 |
| Ruffner, Winfred B. | 4,600 | 435.68 | 37.50 | 8.61 |
| Southworth, Winthrop M., Jr. | 4,600 | 435.68 | 50.00 | 11.48 |
| Spector, Morton | 4,600 | 435.68 | 225.00 | 51.64 |
| Stauffecher, Charles B. | 4,600 | 435.68 | -0- | -0- |
| Wallen, Andy H. | 4,600 | 435.68 | 75.00 | 17.21 |
| Ruggles, Catherine G. | 4,600 | 435.68 | 41.66 | 9.56 |
| Weber, Donald R. | 4,600 | 435.68 | 75.00 | 17.21 |
| Anderberg, Edward | 4,600 | 435.68 | 37.50 | 8.61 |
| Anders, D. Webster | 4,600 | 435.68 | -0- | -0- |
| Bordos, Charles R. | 4,600 | 435.68 | 37.50 | 8.61 |
| Burt, Henry J. | 4,600 | 435.68 | 75.00 | 17.21 |
| Caisse, William E. | 4,600 | 435.68 | 37.50 | 8.61 |
| Knox, Raymond K. | 4,600 | 435.68 | -0- | -0- |
| Lacy, Charles W., Sr. | 4,600 | 435.68 | 75.00 | 17.21 |
| McKenna, Maurice F. | 4,600 | 435.68 | 75.00 | 17.21 |
| Radley, H. Monroe | 4,600 | 435.68 | 41.66 | 9.56 |
| Sankey, Arthur E. | 4,600 | 435.68 | 75.00 | 17.21 |
| Simms, John W. | 4,600 | 435.68 | 37.50 | 8.61 |
| Wright, Stanley H. | 4,600 | 435.68 | -0- | -0- |

1/ Includes overtime.

Regraded Unclassified

Bureau of the Budget
(Continued)

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Shearer, Ross S. | $4,600 | $435.68 | $37.50 | 8.61 |
| Stork, Walter F. | 4,600 | 435.68 | 37.50 | 8.61 |
| Strasser, John E. | 4,600 | 435.68 | -0- | -0- |
| Whitney, Edward S. | 4,600 | 435.68 | -0- | -0- |
| King, B. Walter | 4,600 | 435.68 | 37.50 | 8.61 |
| Orkin, Sidney | 4,600 | 435.68 | 37.50 | 8.61 |
| Kloeber, Royall O. | 4,600 | 435.68 | 37.50 | 8.61 |
| Titus, Harold H. | 4,600 | 435.68 | -0- | -0- |
| Cover, Virgil D. | 4,600 | 435.68 | 45.00 | 10.33 |
| Crowder, Edward T. Jr. | 4,600 | 435.68 | 60.00 | 13.77 |
| Hincks, Edward B. | 4,600 | 435.68 | 37.50 | 8.61 |
| Negaard, Ole A. | 4,600 | 435.68 | 37.50 | 8.61 |
| Ryan, Walter F. | 4,600 | 435.68 | 37.50 | 8.61 |
| Batson, Avery A. | 4,600 | 435.68 | -0- | -0- |
| Harvey, Donald R. | 4,600 | 435.68 | -0- | -0- |
| Latham, Earl G. | 4,600 | 435.68 | 37.50 | 8.61 |
| Schuckman, Fred A. | 4,600 | 435.68 | -0- | -0- |
| Olson, Carl A. | 4,600 | 435.68 | 18.75 | 4.30 |
| Winslow, Joseph K. | 4,600 | 435.68 | -0- | -0- |
| Ziernicki, Laddis | 4,600 | 435.68 | 37.50 | 8.61 |
| Total | $303,600 | $28,754.88 | $2,315.83 | 8.05 |
| Quirk, Harry T. | $4,200 | $402.36 | $37.50 | 9.32 |
| Total | $4,200 | $402.36 | $37.50 | 9.32 |
| Howard, Alden L. | $4,000 | $385.68 | $37.50 | 9.72 |
| Irwin, Hubert | 4,000 | 385.68 | 18.75 | 4.86 |
| Vennesman, Harry | 4,000 | 385.68 | 30.00 | 7.78 |
| Total | $12,000 | $1,057.04 | $86.25 | 8.16 |
| Hale, Jacob A. | $3,800 | $369.02 | $25.00 | 6.77 |
| Flory, Wm. E. S. | 3,800 | 369.02 | 37.50 | 10.16 |
| Spragens, Thomas A. | 3,800 | 369.02 | -0- | -0- |
| Sundquist, James L. | 3,800 | 369.02 | 25.00 | 6.77 |
| Tiller, Carl W. | 3,800 | 369.02 | 12.50 | 3.39 |
| Willoughby, John E. | 3,800 | 369.02 | 75.00 | 20.32 |
| Bell, Gerald R. | 3,800 | 369.02 | 25.00 | 6.77 |
| Cox, Robert W. | 3,800 | 369.02 | 37.50 | 10.16 |
| Gilmore, C. Edgar | 3,800 | 369.02 | -0- | -0- |
| McKenzie, Albert D. | 3,800 | 369.02 | -0- | -0- |

1/ Includes overtime.

Regraded Unclassified

Bureau of the Budget
(Continued)

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | Per cent |
|---|---|---|---|---|
| Moore, Lyman | $3,800 | $369.02 | 37.50 | 10.16 |
| Roessing, George B. Jr. | 3,800 | 369.02 | 12.50 | 3.39 |
| Reis, Paul M. | 3,800 | 369.02 | 25.00 | 6.77 |
| East, Robert C. | 3,800 | 369.02 | -0- | -0- |
| Morrison, Donald H. | 3,800 | 369.02 | 37.50 | 10.16 |
| Vasey, Thomas K. | 3,800 | 369.02 | -0- | -0- |
| Fels, Bruno | 3,800 | 369.02 | 45.00 | 12.19 |
| Oberdorfer, Douglas W. | 3,800 | 369.02 | 37.50 | 10.16 |
| Abbe, Leslie N. | 3,800 | 369.02 | 37.50 | 10.16 |
| Willis, W. Stanley | 3,800 | 369.02 | -0- | -0- |
| Busley, Grover W.- | 3,800 | 369.02 | 37.50 | 10.16 |
| Folz, William L. | 3,800 | 369.02 | 37.50 | 10.16 |
| Goode, Richard B. | 3,800 | 369.02 | 75.00 | 20.32 |
| Nelson, Roger S. | 3,800 | 369.02 | 25.00 | 6.77 |
| Harbour, Dana M. | 3,800 | 369.02 | 37.50 | 10.16 |
| Bolster, Edward A. | 3,800 | 369.02 | 50.00 | 13.55 |
| Conrad, Wm. E. | 3,800 | 369.02 | 37.50 | 10.16 |
| Cooper, Wm. W. | 3,800 | 369.02 | 75.00 | 20.32 |
| Jones, Juliet A. | 3,800 | 369.02 | 30.00 | 8.13 |
| Linnenberg, Clem C. Jr. | 3,800 | 369.02 | 25.00 | 6.77 |
| Lynch, James J. | 3,800 | 369.02 | 18.75 | 5.08 |
| Martin, Margaret E. | 3,800 | 369.02 | 37.50 | 10.16 |
| Marlin, Sidney | 3,800 | 369.02 | -0- | -0- |
| Moernle, Adolph Jr. | 3,800 | 369.02 | 25.00 | 6.77 |
| Ross, Jackson W. | 3,800 | 369.02 | 37.50 | 10.16 |
| Thompson, A. Elliott | 3,800 | 369.02 | 37.50 | 10.16 |
| Campbell, Douglas W. | 3,800 | 369.02 | 45.00 | 12.19 |
| Sullivan, Cornelius S. | 3,800 | 369.02 | 37.50 | 10.16 |
| Wine, Emery C. | 3,800 | 369.02 | 30.00 | 8.13 |
| Total | $148,200 | $14,391.78 | $1,168.75 | 8.12 |
| Eccleston, Alton J. S. | 3,700 | 360.68 | 18.75 | 5.20 |
| Total | $3,700 | $360.68 | $18.75 | 5.20 |
| Miller, James A. | 3,500 | 344.02 | 25.00 | 7.27 |
| Wood, Robert E. | 3,500 | 344.02 | 37.50 | 10.90 |
| Jordan, John C. | 3,500 | 344.02 | 37.50 | 10.90 |
| Anderson, George E. | 3,500 | 344.02 | 18.75 | 5.45 |
| Barnum, Harris W. | 3,500 | 344.02 | 18.75 | 5.45 |
| Kleinstuber, Howlett C. | 3,500 | 344.02 | -0- | -0- |
| Total | $21,000 | $2,064.12 | $137.50 | 6.66 |

1/ Includes overtime.

Regraded Unclassified

**Bureau of the Budget**
(Continued)

| Name | Annual Salary | Gross Monthly Sal.1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Henschel, Richard H. | $3,400 | $335.68 | $18.75 | 5.59 |
| Total | $3,400 | $335.68 | $18.75 | 5.59 |
| Fine, Ruth | $3,300 | $327.36 | $30.00 | 9.16 |
| Bernhard, Richard C. | 3,300 | 327.36 | -0- | -0- |
| Total | $6,600 | $654.72 | $30.00 | 4.58 |
| Carey, Wm. D. | $3,200 | $319.02 | $18.75 | 5.88 |
| Cooley, Caroline M. | 3,200 | 319.02 | 37.50 | 11.75 |
| Divine, Wm. R. | 3,200 | 319.02 | -0- | -0- |
| Donaho, John A. | 3,200 | 319.02 | -0- | -0- |
| Knapp, Betsy | 3,200 | 319.02 | 37.50 | 11.75 |
| Linebaugh, David J. | 3,200 | 319.02 | 12.50 | 3.92 |
| Christie, Virginia C. | 3,200 | 319.02 | 37.50 | 11.75 |
| Holloway, Robert C. | 3,200 | 319.02 | -0- | -0- |
| Marston, Ralph G. | 3,200 | 319.02 | 12.50 | 3.92 |
| Oldham, Howard H. | 3,200 | 319.02 | 30.00 | 9.40 |
| Bernstein, Marver H. | 3,200 | 319.02 | 37.50 | 11.75 |
| Dunn, W. Clyde | 3,200 | 319.02 | -0- | -0- |
| Haven, Maurice | 3,200 | 319.02 | -0- | -0- |
| Burkhead, Jesse V. | 3,200 | 319.02 | 37.50 | 11.75 |
| Schmeling, Wm. G. | 3,200 | 319.02 | 25.00 | 7.84 |
| Tarasov, Helen | 3,200 | 319.02 | 25.00 | 7.84 |
| Gurney, Margaret | 3,200 | 319.02 | 75.00 | 23.51 |
| Husar, Elias | 3,200 | 319.02 | -0- | -0- |
| Sherman, Sarah Louise | 3,200 | 319.02 | 18.75 | 5.88 |
| Burr, Arthur A. | 3,200 | 319.02 | -0- | -0- |
| Harlow, Leroy F. | 3,200 | 319.02 | 37.50 | 11.75 |
| Simpson, Cecil O. | 3,200 | 319.02 | 37.50 | 11.75 |
| Total | $70,400 | $7,018.44 | $408.01 | 5.81 |
| Johnston, Marie A. | $3,100 | $310.68 | $12.50 | 4.02 |
| Total | $3,100 | $310.68 | $12.50 | 4.02 |
| Rosenthal, Rose F. | $3,000 | $302.36 | $30.00 | 9.92 |
| Total | $3,000 | $302.36 | $30.00 | 9.92 |

1/ Includes overtime.

Regraded Unclassified

5. NAT'L. RESOURCES

Regraded Unclassified

TABLE NO. 5

NATIONAL RESOURCES PLANNING BOARD

| Salary Range | Number of Employees | | | Money | | |
|---|---|---|---|---|---|---|
| | On Roll | Participating | Per Cent | Gross Pay Roll (Monthly) | Monthly Allotment | Per Cent |
| $8,750 | 2 | 2 | 100 | $ 1,563.04 | $ 150.00 | 9.59 |
| 8,250 | 2 | 1 | 50 | 1,479.72 | 18.75 | 1.27 |
| 8,000 | 2 | 2 | 100 | 1,438.04 | 75.00 | 5.21 |
| 7,250 | 1 | 1 | 100 | 656.52 | 60.00 | 9.14 |
| 6,750 | 1 | -o- | -o- | 614.86 | -o- | -o- |
| 6,500 | 8 | 6 | 75 | 4,752.16 | 344.16 | 7.24 |
| 6,200 | 1 | 1 | 100 | 569.02 | 25.00 | 4.39 |
| 5,600 | 9 | 7 | 77 | 4,671.18 | 330.00 | 7.06 |
| 4,600 | 5 | 4 | 80 | 2,178.40 | 225.00 | 10.33 |
| 3,800 | 8 | 5 | 62.5 | 2,952.16 | 167.50 | 5.67 |
| 3,400 | 1 | 1 | 100 | 335.68 | 18.75 | 5.59 |
| 3,300 | 2 | 2 | 100 | 654.72 | 33.75 | 5.15 |
| 3,200 | 13 | 7 | 53.84 | 4,147.26 | 150.00 | 3.62 |
| Sub-total | 55 | 39 | 70.91 | 26,012.76 | 1,597.91 | 6.14 |
| Below $3,000 | 111 | 70 | 63.06 | 21,193.12 | 1,114.48 | 5.26 |
| GRAND TOTAL | 166 | 109 | 65.66 | 47,205.88 | 2,712.39 | 5.75 |

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National Resources Planning Board

| Name | Annual Salary | Gross Monthly Salary 1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Eliot, Charles W. | $8,750 | $781.52 | $75.00 | 9.59 |
| Watkins, Ralph J. | 8,750 | 781.52 | 75.00 | 9.59 |
| Total | $17,500 | $1,563.04 | $150.00 | 9.59 |
| Blaisdell, Thomas C. | $8,250 | $739.86 | -0- | -0- |
| Herring, Frank W. | 8,250 | 739.86 | $18.75 | 2.53 |
| Total | $16,500 | $1,479.72 | $18.75 | 1.27 |
| Lorwin, Lewis L. | $8,000 | $719.02 | $37.50 | 5.21 |
| McLaughlin, Glenn E. | 8,000 | 719.02 | 37.50 | 5.21 |
| Total | $16,000 | $1,438.04 | $75.00 | 5.21 |
| Burns, Eveline M. | $7,250 | $656.52 | $60.00 | 9.14 |
| Merrill, Harold A. | $6,750 | $614.86 | -0- | -0- |
| George, Lloyd | $6,500 | $594.02 | $75.00 | 12.63 |
| Miller, John F. | 6,500 | 594.02 | 46.66 | 7.85 |
| Bell, Spurgeon | 6,500 | 594.02 | 75.00 | 12.63 |
| Outhwaite, Leonard | 6,500 | 594.02 | -0- | -0- |
| Bennett, John B. | 6,500 | 594.02 | 60.00 | 10.10 |
| Hartley, Robert W. | 6,500 | 594.02 | 37.50 | 6.31 |
| Dixon, John W. | 6,500 | 594.02 | -0- | -0- |
| Frits, Wilbert G. | 6,500 | 594.02 | 50.00 | 8.42 |
| Total | $52,000 | $4,752.16 | $344.16 | 7.24 |
| Drane, Brent S. | $6,200 | $569.02 | $25.00 | 4.39 |
| Mitchell, Robert B. | $5,600 | $519.02 | -0- | -0- |
| Schweizer, Albert C. | 5,600 | 519.02 | $37.50 | 7.23 |
| Cleveland, William C. | 5,600 | 519.02 | 50.00 | 9.63 |
| Winslow, Harry J. | 5,600 | 519.02 | 50.00 | 9.63 |
| Alfriend, James V., Jr. | 5,600 | 519.02 | 75.00 | 14.45 |
| Powell, William G. | 5,600 | 519.02 | -0- | -0- |
| Thompson, Samuel H. | 5,600 | 519.02 | 37.50 | 7.23 |
| Wynne, William H. | 5,600 | 519.02 | 30.00 | 5.78 |
| Thomas, Sidney T. | 5,600 | 519.02 | 50.00 | 9.63 |
| Total | $50,400 | $4,671.18 | $330.00 | 7.06 |

1/ Includes overtime

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National Resources Planning Board
(Continued)

| Name | Annual Salary | Gross Monthly Salary 1/ | Monthly Allotment for Bonds | Per Cent |
|---|---|---|---|---|
| Hutchinson, Edward P. | $4,600 | $435.68 | -0- | -0- |
| Endler, Oscar L. | 4,600 | 435.68 | $37.50 | 8.61 |
| Owen, Wilfred | 4,600 | 435.68 | 37.50 | 8.61 |
| Williams, Ernest | 4,600 | 435.68 | 75.00 | 17.21 |
| Worthing, Marion W. | 4,600 | 435.68 | 75.00 | 17.21 |
| Total | $23,000 | $2,178.40 | $225.00 | 10.33 |
| Zisman, Samuel B. | $ 3,800 | $369.02 | -0- | -0- |
| Sloan, John H., Jr. | 3,800 | 369.02 | $30.00 | 8.13 |
| Forth, Milher | 3,800 | 369.02 | 50.00 | 13.55 |
| McCarthy, Daniel V. | 3,800 | 369.02 | 37.50 | 10.16 |
| Wolkind, Eleanor H. | 3,800 | 369.02 | 37.50 | 10.16 |
| Nelson, Alf Z. | 3,800 | 369.02 | -0- | -0- |
| Price, Reginald C. | 3,800 | 369.02 | -0- | -0- |
| Egan, Gerald | 3,800 | 369.02 | 12.50 | 3.40 |
| Total | $30,400 | $2,952.16 | $167.50 | 5.67 |
| Faunce, Charles C. | $3,400 | $335.68 | $18.75 | 5.59 |
| McNickle, Roma K. | $3,300 | $327.36 | $18.75 | 5.73 |
| Oosterhous, Lawrence A. | 3,300 | 327.36 | 15.00 | 4.58 |
| Total | $6,600 | $654.72 | $33.75 | 5.15 |
| McCarthy, Emmett J. | $3,200 | $319.02 | -0- | -0- |
| Harwood, Wilson F. | 3,200 | 319.02 | -0- | -0- |
| Williams, Ruth M. | 3,200 | 319.02 | 37.50 | 11.75 |
| Barton, J. Cullen | 3,200 | 319.02 | -0- | -0- |
| Brooke, Edith | 3,200 | 319.02 | -0- | -0- |
| Goodman, Herbert J. | 3,200 | 319.02 | -0- | -0- |
| McMurray, Joseph P. | 3,200 | 319.02 | 12.50 | 3.92 |
| Siller, Harry | 3,200 | 319.02 | 12.50 | 3.92 |
| Peter, Hollis W. | 3,200 | 319.02 | -0- | -0- |
| Brenner, Melvin A. | 3,200 | 319.02 | 25.00 | 7.84 |
| Bingham, Robert H. | 3,200 | 319.02 | 25.00 | 7.84 |
| Ponoron, William J. | 3,200 | 319.02 | 12.50 | 3.92 |
| Hufschmidt, Maynard M. | 3,200 | 319.02 | 25.00 | 7.84 |
| Total | $41,600 | $4,147.26 | $150.00 | 3.62 |

1/ Includes overtime

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June 24, 1943

Dear Mr. Morgenthau:

Mr. Fitzgerald tells me you would like me to write you a longhand note on the matters I wanted to talk with you about.

When you last saw me, several months ago, you suggested that I might make an appointment to see you again after the April financing. In the meantime, it has become even clearer to me that under existing conditions I may never be able to go onward and upward toward achieving in the Treasury the career of Government service which has been my ambition, not to be of use to my country and pursue my ideals in a way that my talents and my conscience impel me.

I wanted to ask, therefore — as a purely personal matter and leaning on nine years of service under you in the Treasury — for your friendly advice and for your help, if you felt that you could give it, about my leaving the Treasury for a worth-while assignment elsewhere. What would dissolve the bonds of frustration would be, I am thinking, an assignment — perhaps abroad — concerned with the war or the foundation of an enduring peace, in a position of enough responsibility and opportunity to enable me to make my own definite contribution.

I think I am not too immodest if I note that I am considered a pretty good all-round lawyer, with varied training and interests in more than a few fields of law, government and international affairs, where I not only want to but where I can tackle challenging jobs.

As you see, this is a completely unofficial, personal note, sent — I hope — to a friend as well as a boss.

Sincerely,

Sam Clans

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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau June 24, 1943

FROM Randolph Paul

You might be interested in the attached copy of the retraction to be made tomorrow on the floor by Representative Taber.

RP

Attachment

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STATEMENT OF HON. JOHN TABER ON FRIDAY, JUNE 25, 1943:

I made a statement on June 15, 1943 on the Floor with reference to a circular put out by a man named William KixMiller, indicating that he was urging banks to subscribe for a tax service known as the Coordinators' Cyclopedic Tax Service and which was supposed to have been authored in part by Randolph Paul, the General Counsel of the Treasury, and James Mertens, Jr.

Mr. Paul has denied that he has any connection, financial or otherwise, with the publication of the so-called tax service. He has sent a telegram to Mr. KixMiller dated June 15, 1943 saying that a representation in the circular that he had some connection with, or interest in the authorship or publication of the so-called tax service was misleading, unwarrented and untrue. Mr. Paul also demanded that Mr. KixMiller immediately discontinue further distribution of the circular and promptly take adequate action to retract its misleading representations. Callaghan & Company, the law publishers of a book that many years ago was written by Paul & Mertens state that the entire basis of Mr. KixMiller's circular "is wrong and misleading and it seems to have been expressed in such language as to convey the impression that both you and Mr. Mertens were supporting KixMiller in his publication and that we, as publishers, were also in some manner connected with it", and state that it was a venture of KixMiller without any support on the part of Paul or Mertens in connection with it.

I am satisfied that Mr. Paul was not in any way connected with the KixMiller circular or the so-called Coordinators' Cyclopedic Tax Service, but frankly I feel that Mr. Paul owes it to the banks and all other recipients of the circular to do everything in his power to see that a circular is sent out by KixMiller advising them that Mr. Paul is not involved in any way. These things Mr. Paul has agreed to do. Many banks, when they received the circular felt that pressure was being put on them by Mr. Paul to buy the service and he owes it to them to clear himself with them now. Frankly, the circular put out by KixMiller has done great injustice to Mr. Paul and I hope that Mr. Paul will now take all possible action in every possible way to see that KixMiller's misrepresentation is thoroughly discredited.

Mr. Mertens, while there has been no criticism of him in connection with this situation, I understand has nothing whatever to do with the Ki Miller project and undoubtedly his name has been used without authority and entirely without justification.

* * * * * * *

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# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUN 24 1943

TO Secretary Morgenthau

FROM Randolph Paul

I thought you would be interested in knowing that Mr. Leslie Allen of Morgan & Co. passed on to a member of the Foreign Funds Control Investigative Staff a report to the effect that Pierre Laval's largest bank account is in the Banque de la Martinique, in Martinique.

Mr. Allen was so informed by a person who recently came to this country from Europe and whom he felt to be reliable.

At the present time there is no information available that can be used to check the authenticity of the above statement. We will, of course, follow up on this matter at such time as we may have access to the records of the Banque de la Martinique.

RWP

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# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau June 24, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Treasury-Post Office Bill - House and Senate conferees have finally reconciled their differences on the billion dollar Treasury-Post Office Appropriation Bill. House members agreed to withdraw the amendment prohibiting use of any of the Treasury funds for the purchase of silver, and also to withdraw their ban on the free mail franking privileges of government agencies. Next step is the House vote on the conference report expected today.

2. Food Subsidies - The Senate is expected to vote today on the Administration's program to roll back food prices by subsidy payments. Yesterday the Senate Banking and Currency Committee recommended a limited subsidy program of $500,000,000 instead of the anti-subsidy ban originally attached to the CCC Bill. Senator George, however, went on record yesterday against any subsidy plan. "It is doubly inflationary," he said. "It feeds into the channels of trade greater purchasing power of consumers at a time when they are in a position to pay higher prices. It increases the national debt by whatever amount is paid out under such a program." Meanwhile there was every indication that the House would stand pat on the anti-subsidy amendment to its measure extending the life of the Commodity Credit Corporation, when it votes on the matter either today or tomorrow.

3. Urgent Deficiency Bill - Two controversial amendments which have held up the Urgent Deficiency Appropriations Bill in conference were finally settled by House and Senate conferees yesterday, though probably not to their mutual satisfaction. Senate representatives finally agreed to the House amendment prohibiting use of any of the bill's funds for the payment of salaries to Robert M. Lovett, Secretary of the Virgin Islands and to William E. Dodd, Jr. and Goodwin B. Watson of the FCC, all accused of un-American activities. House conferees, on the other hand, agreed to recede from their

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amendment restricting the President's authority to use his Emergency Fund for whatever he chooses. House originally voted simply to ban the FSA and National Resources Planning Board from receiving any of this fund, but the Senate enlarged the amendment to ban any agency previously denied money or whose approriation had been cut, by Congress. House conferees are said to have been willing to drop the whole amendment because the Independent Offices Appropriations Bill and the Farm Bill both carry restrictions against the transfer of funds to controversial agencies. Meanwhile, the House took another slap yesterday at the Farm Security Administration in an amendment to the 1944 Agriculture Appropriation Bill, transferring various financing programs now operated by the FSA to the War Food Administration.

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PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China

DATE: June 24, 1943, 4 p.m.

NO.: 802

You are requested to report at once the new rate of exchange which was referred to in telegram no. 724, sent by the Department at 10 p.m., June 4, 1943, and the date on which it became effective so that allotments and allowances for offices in China can be appropriately adjusted.

HULL
(MBD)

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: June 24, 1943, 3 p.m.

NO.: 1013

This is message TF-134 from Mr. Adler for the Secretary of the Treasury only.

Section I. With reference to my telegrams nos. TF-133, June 21, TF-132, June 14, and TF-128, June 9, Dr. Kung told me yesterday evening that he had given Hsi Teu instructions to discuss with you the question of revising the 1941 agreement and to give the following reasons for revising the agreement.

(a) The 1941 agreement is now out of date since so many changes have taken place since that time.

(b) The Stabilization Board as set up under the 1941 agreement will not be adaptable to the international monetary set-up being considered in current negotiations in Washington on that subject. No. 2 seems to be the larger problem, according to Dr. Kung, which must be contemplated by the 1941 agreement.

(c) The renewal of the 1941 Sino-British agreement would be involved in renewing the 1941 Sino-American agreement.

Dr. Kung said that he felt that in the light of the changed situation the agreement should be revised, although he wished to have the board continue its functions. For example

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example exchange control has turned out to be one of the main fields of operation of the board although at the time of the agreement in 1941 it was not contemplated that the board would function as an exchange control organization.

Section II. Dr. Kung mentioned in this second talk that the Generalissimo has been informed by Dr. Soong that recently the President had pointed out to Dr. Soong that inflation in China had reached a vicious stage; and that the President had wanted to know what steps the Government of China was taking to combat it. The Generalissimo discussed with Dr. Kung possible steps to combat inflation as a result of the observations made by the President. The possibility was raised by the Generalissimo that China might buy from the U.S. Treasury $300 million of gold with the part of the U.S. one-half billion dollar loan which has not been used. This gold would then be sold to the public in China. Dr. Kung told me that he informed the Generalissimo that $300 million of gold was too much and that China should request $200 million instead. Therefore, he was requesting me to sound you out on the feasibility of your selling to China U.S.$200 million of gold, to be paid for out of the unused part of the one-half billion dollar loan by the United States to China. The gold would be transported to China gradually and then sold to the public in China.

Dr. Kung

Dr. Kung stated that there were several advantages which the sale of gold to the public had over the sale of savings certificates from the point of view of the Government of China. They are as follows:

(a) Only a small class of merchants who wanted to accumulate foreign exchange in order to finance U.S. imports demanded savings certificates. There would be a much broader demand for gold in China where precious metals were traditionally demanded for purposes of hoarding. (Dr. Kung mentioned incidentally that it was his intention to end the sale of savings certificates very soon. He said that the total of savings certificates sales was a little over $40 million in U.S. currency.)

(b) The government could sell gold at the free market rate which is at present between CN$8,000 and CN$9,000 per ounce although it had to sell savings certificates at the official rate which is at present 20 to 1. By selling gold at the free market rate more fapi could thus be absorbed with the same amount of U.S. dollars invested.

(c) The United States has a large quantity of gold and in order to subscribe to her quota to the contemplated international monetary organization China will need more gold. Such gold as is not bought internally under the new suggested plan would be used for this purpose.

ATCHESON

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OFFICE
SECRETARY OF TREASURY

1943 JUN 25 PM 12 22

NOT TO BE RE-TRANSMITTED

TREASURY DEPARTMENT

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 205

Information received up to 7 a.m., 24th June, 1943.

1. NAVAL

MEDITERRANEAN. 13th. One of H.M. Submarines bombarded D/F station at LIPARI ISLAND. 14th. Another of H.M. Submarines torpedoed a 5,000 ton ship north of MESSINA, where the first mentioned Submarine also sank a 1200 ton ship and torpedoed a Destroyer on 15th.

2. AIR OPERATIONS

WESTERN FRONT. 22nd/23rd. 1,540 tons bombs dropped at MULHEIM and 4 enemy Fighters destroyed. 23rd. Escorted Bostons (A 20) attacked MEAULTE and escorted Typhoons, ST. OMER and MAUPERTUS. 23rd/24th. 94 aircraft operated. SPEZIA - 52 (Lancasters returning from Northwest AFRICA); COLOGNE - 3; DUISBURG - 3; Intruders - 6; Sea-mining - 30. 15 enemy long-range bombers operated over HULL. Considerable damage to factory and shop property. A number of fires started. 20 fatal casualties so far reported.

ITALY. During 20th/21st, 21st, and 21st/22nd, a total of 112 tons dropped on railway centre at SALERNO, 30 miles Southeast of NAPLES. 21st. Fortresses (B 17) dropped 80 tons at NAPLES, and 80 tons at CANCELLO (10 miles North-Northeast of NAPLES); many fires started. Escorted Mitchells (B 25) dropped 38 tons at BATTIPAGLIA (40 miles Southeast of NAPLES). Casualties: Enemy - 4, 4, 3; Allied - 1, 0, 8.

MEDITERRANEAN. 21st. A 4,000 ton ship towing barges sunk off GULF OF ARANCI (Northeast SARDINIA) by Beaufighters, who also attacked the barges and escorting Destroyer without observed results.

TUNISIA. 20th/21st. BIZERTA Harbour bombed by 20 enemy aircraft without damage.

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