

DIARY

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July 1, 1943
9:30 a.m.

FINANCING

- Present: Mr. Bell
- Mr. Haas
- Mr. Smith
- Mr. Lindow
- Mr. Tickton
- Mrs. McHugh

H.M.JR: I am going to have to face the press at half-past-ten and explain this - these rules and regulations.

Where is Henry Murphy?

MR. HAAS: Henry is on his vacation, but he is in town.

H.M.JR: And I wanted the explanation for myself, how come we ever only put a two-percent cash down on this hundred thousand dollar allotment.

MR. BELL: It was just overlooked. It is really my fault.

H.M.JR: You have been with me so long that when you say that you know I can never do anything.

MR. BELL: It was my fault; I should have looked at that feature and I didn't. I did two hours after the circular was out.

H.M.JR: Who wrote the circular, Dan? You didn't write it.

MR. BELL: Mr. Kilby wrote the circular.

H.M.JR: Kilby?

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MR. BELL: Yes, but it wasn't his fault. He doesn't decide those things.

H.M.JR: Don't some of these boys take a look at these things?

MR. BELL: No, these fellows - they don't see the circular; it is done by the legal staff and Kilby, and I go over it. I saw the two-percent, but it just didn't register.

H.M.JR: Well, you know me too well, you know me too well. Don't you think that--

MR. BELL: I don't know how much effect that would have on the thing.

H.M.JR: Supposing we had made a hundred percent - supposing all cash?

MR. BELL: That might have had some effect. I don't know whether we would have done that. We have discussed a good many times making it up to twenty-five, but we have never gone above ten, I don't believe.

H.M.JR: But why shouldn't they just pay a hundred? I mean, if a bank wants one of these things, they have the money and they are not using it. What I thought--

MR. BELL: There is no reason why you shouldn't - where you give allotment in full they shouldn't pay a hundred.

H.M.JR: What I thought I would say is simply this - that is why I wanted Fred in here. It is only these little financial writers - it is this: I will say, "You know, gentlemen, it is very amusing to me. So many people are talking about the New Deal, and they are so much worried about the capitalistic system and the profits system; and just because a few people made some money out of the Treasury you are worried. I appreciate your worrying, but if that is the worst thing that should ever happen to the Treasury, that somebody should make some money" - that is a fact, they are all worried because somebody made a few dollars -

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"Isn't it terrible?" "And so what?" That is what I am going to say.

MR. BELL: Is there a story this morning?

H.M.JR: They are all writing it up - "Isn't it terrible." "Now, who is worrying? Who are you worried about?" You boys didn't buy any. "Why worry because a few people made some money? I believe in the profits system. If somebody makes some money - fine. If they are smart, O.K. Next time it is up to us to see that they don't abuse it." What do you think?

MR. SMITH: I don't know. Who made the money? Does anybody actually know who made the money?

H.M.JR: Sure. Most likely it is anywhere - when I used to study it - I mean, I know a department store over in Baltimore that used to buy a couple of million dollars' worth of bonds and hold them a few times and sell them.

As a matter of fact, what is an eighth on a hundred thousand dollars?

MR. LINDOW: Two hundred and fifty dollars.

H.M.JR: No, you are wrong. An eighth is twelve dollars and fifty cents; I can tell you that.

MR. LINDOW: Not on a hundred thousand.

H.M.JR: No, but an eighth is twelve fifty.

MR. TICKTON: A hundred and twenty-five dollars.

H.M.JR: He said twenty--

MR. TICKTON: One percent on a hundred thousand is a thousand. An eighth of a thousand is a hundred and twenty-five dollars. One hundred twenty-five dollars is the amount of money.

H.M.JR: Now, they make an eighth. They may make an eighth or two-eighths. Will they make a quarter?

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MR. BELL: They are selling around eight, ten.

MR. TICKTON: Three-eighths to a half in this morning's paper. It was at a half part of the day and three-eighths part of the day.

H.M.JR: Safe to say they may make from two fifty to five hundred dollars?

MR. TICKTON: That is right.

H.M.JR: And I say as compared to borrowing - they are not making it out of the Treasury; they are making it out of the fellow they sell it to.

MR. BELL: They are making it out of somebody who wants the security.

H.M.JR: They are not making it out of the Treasury. I borrowed two billion and a half; I got it at a very reasonable rate. Granted we should have taken a bigger deposit; we didn't. Next time we will. And who are they making it out of? They are making it out of some other fellow that wants it a little bit worse than they do.

They make from two fifty to five hundred, and so what? The only thing that would worry me is if these fellows lose two fifty. Then I would feel sorry.

MR. HAAS: I wouldn't feel so sorry about them, either. The little fellow isn't getting hurt, because he isn't in on it. I am a little afraid of this--

MR. BELL: You would feel sorry if they lost.

MR. HAAS: Yes, because it would spoil your market.

H.M.JR: The other thing I was going to say - I am rehearsing this, you see - is that it has always been my program that I want my customers to make some money out of this thing; and for that reason--

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MR. BELL: You want your customers satisfied.

H.M.JR: Yes, I want my customers satisfied. The only way they can be satisfied is if they can't - not to lose money.

MR. SMITH: I think you ought to be careful not to completely condone it the way you did first. You sound as though you were sort of encouraging what might be construed as a slippery operation.

H.M.JR: There is nothing slippery about it, you know. You go in there and buy this thing, and the banks want it. The people who are putting up the holler are the banks because they are going to have to pay a premium to get this. Really, this is a dress rehearsal.

MR. HAAS: One thing that bothers me is that somebody listening outside - listening to this, Mr. Secretary - a lot of people will read what you say in the papers. It gets headlines, "Secretary Morgenthau--"

H.M.JR: You flatter me.

MR. HAAS: That is true; you can tell by the letters that are coming in, and so on, that if you - and there are so many people that know nothing about this. The great masses know nothing about it; and if you bring it up and explain it, they will know something about it.

My just off-hand suggestion - it may not be any good - I am just throwing it out here--

H.M.JR: Not so much preliminary.

MR. HAAS: ... would be to say that it is an interesting development that when you have a seventy-billion-dollar financing to do that the Government bond market is as strong as it is, and you have so many people actively interested in it, and you have some - there is some speculation in the market - it can't be avoided in a strong market. And just not to say much of anything - let it go without going into detail.

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H.M.JR: How many people will we have who will subscribe to a hundred thousand?

MR. BELL: How many?

H.M.JR: Yes. About ten thousand?

MR. TICKTON: Thirteen thousand for your billion three.

MR. BELL: A billion two ninety.

MR. TICKTON: Thirteen thousand.

MR. BELL: That includes your banks.

H.M.JR: We could approach it another way. The idea was to give the small country banks a chance.

MR. HAAS: Tell them what you are trying to do.

H.M.JR: It was to distribute this thing generally throughout the country, to get a better distribution, and we have succeeded.

Now, in doing this thing there are some - a few sharp-shooters.

MR. BELL: Say that there has been some abuse of it, and we will have to take steps to put some control over it the next time. You would rather have it this way than have it be a flop.

MR. HAAS: And nobody interested.

MR. BELL: Rather have it this way than have to call up some people to take some more securities.

MR. SMITH: I think that is better.

H.M.JR: It is good news that there are so many people who want it.

MR. HAAS: That is right.

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H.M.JR: I am not going to apologize for the fact that there are so many people that want it.

MR. BELL: And the fact that they are selling at a premium. You don't have to apologize for that. It shows it was a good security.

MR. HAAS: I wouldn't apologize at all.

H.M.JR: I wasn't going to apologize.

MR. BELL: You were really going to boost it.

MR. HAAS: I wouldn't admit there was anything wrong. Next time you may not want to sell it; the market may be weak.

H.M.JR: Is this the first time for a hundred thousand?

MR. BELL: A hundred thousand for the banks and allotment in full to everybody outside the banks, so that in your February offering--

H.M.JR: How was it? Say it again.

MR. BELL: A hundred thousand in full to the banks, and then allotment in full to everybody outside of the banks, so that in your February offering of the two billion dollar certificate you had a billion four hundred some million dollars that were allotted on those two bases, but--

H.M.JR: How was it last time? Say it again.

MR. BELL: A hundred thousand dollars to banks to be allotted in full; everybody outside of the banks got an allotment - a hundred thousand dollars allotted to each bank if they subscribed for that amount, and everybody outside of the banking system got allotment in full. The total of those two out of a--

H.M.JR: I don't get the difference. If you were a bank you got your hundred thousand in full?

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MR. BELL: Hundred thousand, yes.

H.M.JR: If you were a private individual and subscribed to a hundred thousand, how much would you get?

MR. BELL: You would get it in full; or if you subscribed to five hundred thousand or a million you got it in full - no percentage allotment on anybody outside the banking system. So those two aggregated a billion four hundred million of the two-billion-dollar offering in February, which left only about five hundred million dollars to the banks over and above the hundred thousand. And of that billion four, three hundred fifty million, as I recall, went to the banks, on a ccout, of the hundred thousand.

About three hundred million went to dealers and brokers, and the rest went outside of the banking system. About seven or eight hundred million dollars went outside of the banking system.

H.M.JR: The mistake we made was on the two percent.

MR. BELL: Well, that was a mistake, but I think we would have hesitated in taking to - I don't believe we would have gone to a hundred percent if we had considered it. I doubt if we would have gone above two.

MR. LINDOW: The idea of the fractional amount goes back to the fact that if the subscriber doesn't know he is going to get a hundred percent of what he put in, it is a hardship for him to put up the money and then not get the securities. But in this case the hundred thousand, it seems to me, changes the picture completely and we might easily get to the hundred percent.

MR. HAAS: Just like buying the savings bonds.

H.M.JR: That is what Mrs. McHugh said - why can they be able to put two percent when if she buys a twenty-five dollar bond she has to plunk down eighteen seventy-five.

MR. LINDOW: That is right.

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MR. BELL: In view of this I think we can go to a hundred. I think we hesitated going to a hundred before this offering came up.

MR. HAAS: I would be very reluctant to say that you are going to do something the next time, because who knows what the next situation--

H.M.JR: George, I never do that; you know that.

MR. BELL: Say that we would like to take a look at the next situation before we have the next offering. We may have to take some steps to control it.

H.M.JR: Now while I am here - do you want to do the life insurance one?

MR. SMITH: No, I haven't got that completely rewritten yet. I just got Blough's revision, and I am in the middle of putting it back together.

H.M.JR: Could you and Bell and I do it right after press?

MR. SMITH: Sure.

H.M.JR: You were rushing me yesterday.

MR. SMITH: I went all over the place yesterday getting comments on the thing.

H.M.JR: While you are at it, as long as you are going all over the lot you might as well also show it to Gaston. We will get it out by noon. I don't want to talk now, but sometime I do want to talk to you men about the possibility of getting ready for this August thing. Supposing we do change these rates, supposing we do drop down - I mean, the thing that the Fed doesn't want us to do.

MR. HAAS: Mr. Secretary, when that curve was put on you said you wanted a range of rates so there is nothing

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changed in that thing; it just happens to be up a little bit now.

H.M.JR: Is there any reason why in this refunding in August I can't borrow at a lower rate?

MR. HAAS: No.

H.M.JR: What would we refund the stuff into in August?

MR. HAAS: You mean those bonds or the certificate? The certificate rate is all right at seven-eighths.

H.M.JR: That is all right?

MR. BELL: No, don't worry about that. A billion four - I think George suggested in his report that you refund whatever part of the billion four that is held by individuals into the two and a half offered in the basket and let the other be paid off in cash.

H.M.JR: Well, will you (Bell) and Fred be at my press conference?

MR. BELL: Yes.

H.M.JR: That is all I have.

July 1, 1943
9:59 a.m.

HMJr: Hello.

Operator: Lord Halifax.

HMJr: Hello.

Lord
Halifax: Hello. Could I speak with Mr. Morgenthau?

HMJr: You are.

H: I am speaking with him?

HMJr: Yes.

H: Good morning. How are you?

HMJr: I'm all right, thank you.

H: Could you - could you give me five minutes today?

HMJr: Surely.

H: Uh - anytime that is not too inconvenient. I wouldn't keep you over five minutes.

HMJr: Well, how about - is four o'clock a good time?

H: Four will do me very well, yes.

HMJr: Four o'clock.

H: I'll be with you at four.

HMJr: Thank you.

H: Do I come in the same way I generally come?

HMJr: Yes, I'll leave word.

H: All right. Thank you so much.

HMJr: I'll look forward....

H: All right.

July 1, 1943

MEMORANDUM FOR THE DIARY OF THE SECRETARY

At a luncheon today at which were present Secretary Morgenthau; War Food Administrator, Marvin Jones; John E. Hutson, President of the Commodity Credit Corporation; and Capt. C. L. Kades, the Secretary gave Judge Jones and Mr. Hutson copies of his letter to the President suggesting the Purchase Order Plan for encouraging production of critical farm products without increasing the cost of living.

Judge Jones indicated that he favored the principle of the plan, although he thought the licensing system was preferable in so far as the meat industry was concerned. Mr. Hutson pointed out that the plan really implemented any licensing system and that he had been thinking along the same lines for some time. The Secretary made it clear that his only interest was to help the President to reconcile the divergent views on ways and means of controlling inflation and at the same time encouraging the production of necessary war crops. He stated that the Treasury was vitally interested in measures which tended to raise the cost of living, such as the Commodity Credit Bill recently passed by Congress, because of the interplay of wage rates and farm prices and the inflationary spiral caused by increases therein.

Judge Jones stated that he understood that the President was sending at 1 p.m. today a veto message to the Congress. The Secretary asked Judge Jones what the veto message said and Judge Jones said he had not seen the veto message or been consulted about it.

Although the Secretary indicated that Judge Jones would be responsible for the success or failure of the food program in view of his position as War Food Administrator, Judge Jones indicated a decided reluctance to take any aggressive action, apparently feeling that he was to take

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steps only at the request or upon the direction of the Director of Economic Stabilization and the Director of the Office of War Mobilization.

When the Secretary asked Judge Jones what his next action would be after the veto, Judge Jones said that he didn't know because the "Board" was deciding that (whether Judge Jones meant OWM or OES was not clear) and he wished he could sit down with the Congressional committees to work out a program which would enable the Secretary's suggestion to the President to be carried out and would give Judge Jones adequate weapons to stimulate food production without hurting the fight against inflation.

Judge Jones thought he should ask for and could get 3 to 5 billion dollars additional borrowing power in the Commodity Credit Corporation subject to the following restrictions: (1) That the proceeds would not be used to pay subsidies in connection with the roll-back, and (2) That the War Food Administrator would not sell commodities at less than present price ceilings or parity prices. Judge Jones said that in his opinion the most crippling aspect of the Commodity Corporation Bill was the requirement that maximum prices could not be less than support prices since this would hamstring any effective commodity purchase and resale program and would inevitably result in inflation. However, Judge Jones said he thought if the Little Steel Formula of the War Labor Board and failure to roll back prices would bring about injustice or hardship to wage earners, the War Labor Board should make the necessary adjustment either by cost-of-living bonuses or some food stamp plan for low-income groups. However, he considered roll-back subsidies as politically unwise at the present time.

The Secretary said the facilities of his Economic staffs and the Office of the General Counsel were available to Judge Jones in case he wanted to call upon the Secretary for help in working out a solution satisfactory to Judge Jones and to Congress.

Judge Jones then spoke at length at what he would like to be able to do, expressing himself very vigorously, and Mr. Hutson remarked that this was the first time since Judge

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Jones had been appointed War Food Administrator that he had been so outspoken in his views.

It was obvious that Judge Jones felt that he was more or less under orders not to take any definite stand on his own although he said nothing to indicate that the President had given him any such instructions. It was clear, however, that Judge Jones felt that if he were permitted to go down to Congress and talk in executive session to the appropriate Congressional committee he could have prevented the Commodity Corporation Bill being passed in the form which had necessitated the President's veto message.

B.K.

July 1, 1943
1 p.m.

The Secretary had approved this letter and was ready to sign it at the same time the ticker announced that the President had vetoed the Commodity Credit Corporation bill. He wanted the letter saved as a record of the fact that he was prepared to recommend to the President that he veto the Bill.



THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. President:

The Treasury Department recommends that the President veto this bill because it will aggravate the danger of inflation and will frustrate previous efforts to fight it.

It is sheer folly to compel an increase of maximum prices to consumers simply because it may be deemed desirable to permit, or even encourage, an increase of minimum prices to producers. This bill would make such an increase mandatory.

For example, the bill would prohibit (1) fixing maximum prices below support prices for agricultural products, even though these prices are higher than parity or higher than the highest price at which the commodity sold between January 1, 1942 and September 15, 1942, or (2) paying for the purpose of stabilizing prices any subsidy, direct or indirect, by any governmental agency or corporation to any person engaged in the production, marketing, distribution, or handling of any agricultural commodity (with minor exceptions), (3) purchasing in the future any agricultural commodities from producers by any agency or corporation of the Government at a price higher than the expected resale price of those commodities.

The bill would allow the completion of current price support and purchase and sale operations, except as to the roll-back program. Such purchase and sale operations, however, would be limited to those announced prior to July 1, 1948, and up to total losses not exceeding \$150,000,000. Moreover, the purchased commodities must be sold at prices not less than the highest of the various ceiling price limitations. Under the ambiguous language of the bill one of these limitations may even be the 110% of parity in the original Price Control Act which was suspended by the President pursuant to the Stabilization Act of October 2, 1942.

FOR DEFENSE



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Just as there was nothing inherently inconsistent between an intention to increase industrial production and an intention to control the cost of living, neither is there anything inherently inconsistent between an intention to increase farm production and an intention to control the cost of living. Inflation is not the only solution to the problem of producing sufficient crops to meet food requirements.

Industrial production was expanded by (a) assuring a manufacturer, as a matter of procurement policy, a reasonable price for his product, (b) furnishing him with the necessary priorities for the machinery he needed, (c) assuming the major risks involved in any conversion from a peacetime to a wartime product, and (d) providing him with working capital if he could not get it through ordinary channels of finance.

A Government contract determined the terms and conditions of the production and sale of the product, and expressed the rights and obligations of the producer and the Government. That legal instrument is also available and can be effectively used without increasing the cost of living in mobilizing farmers for war production under existing law if this bill is vetoed.

On the other hand, this bill would almost immediately increase the cost of living. Not only does the bill cancel on August 1 subsidies on roll-backs in butter and meat (which have reduced their retail prices by 10 per cent), but it also cancels at the end of the current crop season other subsidies being paid to hold the line on retail food prices. In addition, the requirement that no maximum prices shall be imposed on any agricultural commodity (in either its primary or processed form) below the producers' support price or its equivalent, would operate to raise the price of flour (and thereby to raise the price of bread) because of a recent increase of 9 cents a bushel in the crop-loan support level on wheat.

This Administration has pledged the American people it would do everything humanly possible to prevent inflation. I hope the Administration will see that pledge through.

Faithfully yours,

Secretary of the Treasury.

The President

The White House

cc-Harry White and
Joe O'Connell.

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July 1, 1943
4:37 p.m.

HMJr: Hello.

Operator: Secretary Hull is coming right on, Mr. Secretary.

HMJr: Thank you. Hello.

Cordell
Hull: Hello, Henry.

HMJr: Hello, Cordell.

H: What's going on?

HMJr: Well, Cordell, one of the partners of J. P. Morgan has told us that they believe that Pierre Laval's got a lot of money in the Bank at Martinique....

H: Well, there is some down there, you know.

HMJr:and what I thought is - uh - if and when we're ready to go in, the Treasury would like to be able to go in there and freeze all of those accounts and then take a look at them.

H: Yes, well, I'm sure there won't be any objection to that.

HMJr: Well, would you make a note of it?

H: Yes, I'll make a note and speak to one or two of my fellows and then call you back.

HMJr: So, I mean - when the time comes, we'd like to go in and freeze them all and then turn the bank inside out.

H: Yeah.

HMJr: There might be some other money there.

H: Now, here is this, Henry....

HMJr: Yeah.

H:We are turning this over to a friendly Frenchman.

HMJr: Yeah.

H: Uh - and he will be in charge there, as a French government.

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HMJr: Yeah.

H: And I don't know how this - how you - whether we've got to keep surveillance in that fashion or whether you can go in there like you would if we were capturing it, which we will not be doing.

HMJr: No, but you know in North Africa we went into the different banks as though....

H: Oh, we occupied that militarily - I mean this won't be occupied militarily.

HMJr: Well....

H: I want you to - I'm in sympathy with what you want to do, you understand....

HMJr: Yeah.

H:but....

HMJr: Don't you think if Laval's money - of course, it's just rumor - I can't guarantee it....

H: Yeah.

HMJr:that - and if he's the right kind of Frenchman, I should think he'd be glad to have us go in.

H: Why, of course, if he - the only question he might raise - would say that "I represent Giraud here in carrying on this French government....

HMJr: Yeah.

H:and I don't want intervention here." He might say that.

HMJr: Well, we could work it out on some cooperative basis with them on....

H: Yes. We're keeping watch to see that that gold down there doesn't get away from there.

HMJr: Well, of course, there are a lot of big transactions they might, you know....

H: Yes, that's true.

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HMJr:they might transfer it out by cable to the Argentine, or something like that.

H: Would you like to talk yourself with Feis or any of our fellows on that?

HMJr: No, the people that are handling that....

H: The Navy is principally handling it.

HMJr: I see.

H: We just kept on diplomatic battering....

HMJr: Well, but we can't go in unless we got your assistance.

H: Well, we'd be with you, of course. Any way we can help in that will be good.

HMJr: Well, if you'll talk it over and - if it's Feis, he could talk with Harry White.

H: Yes. All right, I'll bring it up....

HMJr: But I'd love to lay my hands on Laval's money - I'm sure you would, too.

H: I'd rather lay them on Laval himself.

HMJr: Well (Laughs), it might hurt him more though if we layed it on his money.

H: Well, we can try that out first.

HMJr: (Laughs)

H: All right, Henry.

HMJr: Thank you.

July 1, 1943
4:42 p.m.

HMJr: I was just talking to Mrs. Morgenthau and, God bless her, she's still interested in war bonds.

Ted
Gamble: Well, good for her.

HMJr: And she heard about the wonderful exhibit down at Bloomingdale's Department Store....

G: Yes.

HMJr:and where they show various - what various pieces of munitions cost....

G: Yeah.

HMJr:and she wondered - and there was something on the radio with war bonds - she wondered whether it was a War Department show or our show.

G: I feel reasonably sure that that's just retail promotions.

HMJr: Supposing you find out and give me a report tomorrow morning so I can take it up with me.

G: I'll do it yet this afternoon 'cause I'm going to Cleveland tonight.

HMJr: Well, I'm sorry I couldn't have lunch with you boys, but I hadn't eaten anything since....

G: Well, I'm sorry you have....

HMJr:Wednesday morning.

G:been feeling badly.

July 1, 1943
5:02 p.m.

HMJr: Hello.

Operator: The Vice President is on the floor of the Senate and it will take a few minutes before he can call you.

HMJr: All right. Thanks.

5:04 p.m.

Operator: Go ahead.

HMJr: Henry.

Henry
Wallace: Hello.

HMJr: Hello, Henry.

W: Yes, Henry.

HMJr: I just want to let you know for whatever it's worth that I'm in your corner....

W: (Laughs) I just knew that. (Laughs again).

HMJr:and I see you had the old time table....

W: (Laughs) Yes, it does - (Laughs) - yes, I remember it. (Laughs)

HMJr: Yeah. And - of course, I don't know the right and wrong of making it public, but anyway as between you and Jones on this thing, I'm - if I can be of any use, I want you to call on me because this has been going on too long....

W: Thanks for calling, Henry, and I certainly appreciate hearing from you.

HMJr:but, I mean, it's an outrageous thing and - of course, the President should have stopped it a long time ago - and I just want to let you know how I feel and where I am at.

W: Well, that's swell.

HMJr: Yeah.

- 2 -

W: How is Mrs. Morgenthau?

HMJr: The last two days, definitely better.

W: Oh, that's good.

HMJr: She had another relapse this last week. She got phlebitis in her right leg. She had it in her left, but we think that they have it under control now.

W: Uh-huh.

HMJr: But she has had a terrific time. But, the last two days she's made real progress.

W: Oh well, she'll lick it now.

HMJr: Oh, we think so - we think so. Well, anyway, Henry, good luck to you.

W: Thanks.

HMJr: Keep up the good fight.

W: Yes, thanks.

HMJr: 'Bye.

W: Good bye.

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AGENDA

**FOR THE BOARD OF ECONOMIC WARFARE MEETING TO
BE HELD JULY 1, 1943, AT 10:00 A.M. Room 201
SENATE OFFICE BUILDING**

DISCUSSION OF:

1. War Trade Negotiations with Sweden.
2. Current Developments in Spain and
Portugal.

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

June 26, 1943

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

The minutes covering the meetings of the Board of Economic Warfare, which were held on May 20, June 3, and June 17 are enclosed. If there are any corrections which you care to suggest, please let me know.

Also, in accordance with the agreement at the Board meeting of June 17, there are enclosed copies of the letters of June 12 and June 14 from General Strong.

Sincerely yours,

Milo Perkins

Executive Director

Enclosures

SECRET

MINUTES OF THE MEETING OF THE BOARD OF ECONOMIC WARFARE
HELD MAY 20, 1943, at 10:00 a.m.

A meeting of the Board of Economic Warfare was held in Room 201, Senate Office Building at 10:00 a.m. on May 20, 1943.

Those present:

The Vice President, Chairman of the Board
 Mr. Dean Acheson, representing the Secretary of State
 Mr. John McCloy, representing the Secretary of War
 Mr. Adlai Stevenson, representing the Secretary of the Navy
 The Secretary of Agriculture
 The Chairman of the War Production Board
 Mr. Nelson A. Rockefeller, Coordinator of Inter-American
 Affairs
 Mr. E. R. Stettinius, Administrator, Lend-Lease Administration

In addition, the following persons were present:

Governor Herbert H. Lehman, Office of Foreign Relief and
 Rehabilitation Operations
 Mr. Herbert Feis, Department of State
 Mr. William Batt, War Production Board
 Mr. Harold H. Neff, War Department
 Mr. Warren Lee Pierson, Export-Import Bank
 Mr. John Lockwood, Office of the Coordinator of Inter-
 American Affairs
 Mr. John McClintock, Office of the Coordinator of Inter-
 American Affairs
 Mr. John E. Orchard, Office of Lend-Lease Administration
 Mr. Milo Perkins, Board of Economic Warfare
 Mr. William Stone, Board of Economic Warfare
 Mr. Hector Lazo, Board of Economic Warfare
 Mr. Morris Rosenthal, Board of Economic Warfare

Policy on Civilian Relief in the Blockade Area

A statement on the policy of the United States government with respect to shipments through or within the blockade area, dated May 3, 1943, prepared by the staff of the Board of Economic Warfare, had been circulated.

At the request of the Vice President, Mr. Stone reviewed briefly the policy applied by the British and American governments during recent months. It was pointed out that both governments had been subjected to considerable pressure, particularly from the Allied governments-in-exile, to permit relief shipments through the blockade to enemy or neutral countries. The joint policy of the British and American governments was summarized as follows:

1. With two exceptions, no relief shipments involving the passage of goods through the blockade for distribution in any occupied country

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

2. Relief shipments to neutral countries for distribution solely within such neutral countries have been permitted through the blockade with the approval of United Kingdom and United States blockade authorities, only when adequate provision had been made for selection of those who are to get the relief on the basis of need alone, and only in the absence of any strong evidence that such shipments are proving of direct or indirect aid to the enemy.
3. Purchases and shipment of relief goods within the blockade area are permitted only with the approval of the United Kingdom and United States blockade authorities, and subject to conditions established by those authorities.

The Vice President invited Governor Lehman to comment on the statement of existing blockade policy in the light of the discussion of relief problems held by Governor Lehman with British officials during his recent visit to London.

Governor Lehman read the record of meetings on the question of relief through the blockade held at the Ministry of Economic Warfare in London on the 19th and 22nd of April, 1943. In the course of the meetings which covered a wide range, general agreement was reached in the following terms:

- (a) It might prove desirable to initiate in the coming autumn a relief scheme on a small and experimental scale in the occupied territories.
- (b) A small Committee consisting of representatives of the State Department, the British Embassy and the United States Office of Foreign Relief and Rehabilitation should examine the possibility of such a scheme and submit their recommendations to the two Governments.
- (c) Meanwhile it was desirable that the general line of replies to be given to enquiries and applications concerning a change of blockade policy in this matter should be agreed, in order that the British and American Governments should speak with a single voice.
- (d) The possibility of promoting the evacuation of children from occupied countries to Switzerland and Sweden should be further explored; not as an alternative to any relief scheme which it might be decided to propose to the United States and British Governments, but as a supplementary measure possessing advantages of its own.

Governor Lehman called attention to certain fundamental considerations raised by the British authorities and made it clear that the British government had not yet expressed formal approval of the proposal that a committee examine the possibility of such a relief scheme. He said that he was awaiting and answer from the British government on this point and that any action which might result would require the formal approval of both governments.

In the general discussions which followed, Mr. McCloy asked whether any relief scheme inaugurated at this time might not prove to be a "psychological

boomerang". He said that he had consulted with the operations people at the War Department, who pointed out that we are about to assume the role of an occupying nation, which will carry with it a heavy responsibility. We might face bitter resentment in occupied areas if we were to divert our limited supplies to areas still under Axis control. At the suggestion of Mr. Stettinius, Mr. Orchard of the Lend-Lease Administration outlined the Greek relief plan under which monthly shipments comprise 15,000 tons of wheat donated by the Canadian government, 3,000 tons of dried vegetables and 300 tons of evaporated milk supplied by the United States government via Lend-Lease. There was general agreement that the absence of any significant resources in Greece, thus relieving the enemy of any necessity for feeding the working population, constituted a valid reason for an exception to the established blockade principles. The Vice President and Secretary Wickard noted that weather conditions in many countries had not been favorable this spring, particularly for corn and cereal crops.

Mr. Acheson asked Governor Lehman whether machinery had been set up for clearing information regarding intra-blockade transactions with the various agencies concerned (Treasury, ESW, Lend-Lease, etc.). Governor Lehman indicated that all such transaction would be cleared with the proper governmental agencies.

There was general agreement that, at the present time, it would probably be dangerous to relax the blockade of Europe, but that it would be appropriate for a committee, such as that proposed, to study the possibility of a relief scheme on a small and experimental scale in the occupied territories. Any proposals for action resulting from this study would be cleared with the appropriate agencies of the British and American governments.

Export Policy for Gold Mining in Latin America - Ecuador

A report on proposed modification of the existing export policy for gold mining in the case of Ecuador, prepared by the Board of Economic Warfare, had been circulated.

The Vice President observed that, when he was in Ecuador recently, the President of that country had emphasized the critical situation existing in the province of El Oro, where 20,000 inhabitants are totally dependent upon one gold mine. The Vice President pointed out that the province of El Oro was an invasion province in the recent controversy between Peru and Ecuador and Ecuador fears renewed invasion.

It was brought out that the question of modifying the existing ban on the export of materials for the gold mines had first been raised by the Department of State on the ground that political considerations called for an exception in this case. Mr. Acheson supported the recommendation in the Board's draft resolution, authorizing shipment of 170 tons of materials.

Mr. Rockefeller explained that some 30,000 people were now benefiting from the CIAA rehabilitation program. He added that shipping to Ecuador had been well under the cargo tonnage and was in bad shape. He also expressed the hope that the already reduced tonnage for Ecuador would not be further penalized as the result of the concession on materials for the gold mine.

Mr. McGloy raised the question as to the extent of the drain on U.S. supplies, pointing out that, by making a small concession now, we might make it easier for Ecuador to press for a larger tonnage next year. Mr. Laso explained that, of the 170 tons, 107 tons were for cyanide and other heavy chemicals, leaving less than 62 tons of what might be called critical materials, including tools and other miscellaneous items. The following resolution authorizing 170 tons of materials to the South American Development Company was approved,

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

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

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

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

The meeting adjourned at 11:30 a.m.

SECRET

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Minutes of the Meeting of the Board of Economic Warfare
Held June 3, 1943, at 10:00 a. m.

A meeting of the Board of Economic Warfare was held in Room 201 Senate Office Building at 10:00 a. m. on June 3, 1943.

The meeting was attended by the following members of the Board:

The Vice President, Chairman of the Board
Mr. Dean Acheson, representing the Secretary of State
Mr. Harry White, representing the Secretary of the Treasury
The Attorney General
Mr. Adlai Stevenson, representing the Secretary of the Navy
The Secretary of Agriculture
Mr. Wayne Taylor, representing the Secretary of Commerce
Mr. Nelson A. Rockefeller, Coordinator of Inter-American Affairs
Mr. Donald M. Nelson, Chairman, War Production Board
Mr. Bernhard Knollenberg, representing the Administrator,
Lend-Lease Administration

In addition, the following persons were present:

Mr. W. L. Clayton, Commerce Department
Mr. Leo Crowley, Alien Property Custodian
Mr. A. F. Luxford, Treasury Department
Mr. Hugh B. Cox, Department of Justice
Mr. John Lockwood, Office of Coordinator of Inter-American Affairs
Mr. Bernard J. McKenna, Office of Coordinator of Inter-American Affairs
Mr. Harold Neff, War Department
Mr. Stanley K. Hornbeck, State Department
Mr. Bernard Meltzer, State Department
Mr. H. Merrell Benninghoff, State Department
Mr. William T. Stone, Board of Economic Warfare
Mr. John Wharton, Board of Economic Warfare
Mr. Fowler Hamilton, Board of Economic Warfare
Mr. E. W. Gauswitz, Board of Economic Warfare

Japan's War Economy

The Vice President asked Mr. Hamilton to comment on the Japanese reports, "Japan's Economic Potential", dated May 1943 and "Japan's War Economy", dated March 1943, copies of which had been sent to all members.

Mr. Hamilton stated that the efforts of the Japanese were directed primarily toward speeding ship building and increasing iron and steel fabrication, the main limiting factor being experienced workers. Raw material supplies under Japanese control are for the most part not a limiting factor. With reference to shipping he stated that Japan would build about 700,000 gross tons of merchant ships this year which would be about double of last year's output. In addition to steel vessels, they are attempting to increase production of wooden vessels, and to relieve the tight shipping situation further have been attempting to shift from ocean-going to land transportation with a probable saving of water transportation in the neighborhood of 500,000 tons per year. It was estimated however that with the present rate of sinking, at

the end of 1943 the Japanese shipping position will be worse than at the beginning of the year.

For steel it is estimated that the output is at the rate of about 7,000,000 (rolled and forged) tons per year and that the rate can be increased approximately 10 per cent in the coming year. It appears that sufficient laborers and electric power can be made available to handle the 10 per cent increase.

He also drew attention to the apparent tendency for development in the so-called inner zone or nearby territory and stated that such commodities as bauxite, iron ore and the like were being developed in this inner zone even though better grade ore might be secured from more productive mines which, however, were located in areas involving more transportation. He pointed out also that Japan is attempting to build stockpiles in the inner zone of commodities not produced there. The most important of such stockpiles is probably petroleum. In this case, of an annual requirement of about 50 million barrels, only about 19,000,000 are produced in Japan. However, there is a stockpile of approximately 81 million barrels.

Generally speaking, Mr. Hamilton stated, the current and prospective production of war materials in Japan was relatively small compared to that of the United States. Mr. Hornbeck supplemented Mr. Hamilton's summary observing that the development of the so-called inner zone was no doubt a matter of careful policy.

In response to a question by Mr. White, Mr. Hamilton stated that in building up the larger reserve of oil Japan had been faced with the necessity of producing the oil and of providing ample storage capacity and transportation. At the present time it appears that the shipping situation is such that Japan does not have sufficient transportation so that it can afford to add materially to reserves.

Enemy Property

The Vice President asked Mr. Acheson to outline the general problem involved in the Mexican-American Cyanamid Company proposal, which proposal had been summed briefly in the report, "Memorandum on Mexican-American Cyanamid Company Negotiations".

Mr. Acheson reviewed briefly the background of the general problem of which the Mexican Cyanamid Company proposal was a part. He stated that for more than a year the United States had been using its influence to induce the other American Republics to eliminate Axis influence, one phase of this program involving control of German property. In pressing for such action by the other republics the United States had indicated that it would use its best efforts to render such assistance as it could, such as making available technicians, finance, and the like, to the end that German influence might be eliminated and the firms remain under the control of the respective nationals. Many of the republics had seized German property, including such countries as Brazil, Mexico, Peru, and Columbia. Many of the firms and property so involved were in the chemical and pharmaceutical fields. He stated that most of the countries involved were interested in seeing local control achieved. However, in some cases, having taken control of German properties, the countries were faced with the necessity of operating, this involving competent management, technical assistance, and supplies.

In Mexico the Government proposed to expropriate some 34 companies engaged in the handling of drugs, chemicals and related lines. The proposal to operate the companies under a single governmental corporation was apparently in conformity with the general social thinking of that country. Some six months ago the American-Cyanamid Company informed the Department of State that it was discussing the possibility of a management contract involving the 34 companies with the Mexican government. It appears that other companies may have been discussing similar proposals with the Mexican Government at about the same time. Approximately a month ago the American-Cyanamid Company made available to the Department of State a proposed contract between that Company and the Mexican Government. (A brief resume of that contract is included in the memorandum circulated to Board members). The question was now raised as to the policy of this Government with reference to such a proposal. The State Department had requested the Cyanamid Company to withhold action until this government had a chance to review the entire situation.

Mr. Acheson stated further that if the business of the 34 companies were placed under one State corporation, that corporation would control as much as 50 per cent of the total Mexican business for a number of items. If a management contract were consummated between the Mexican Corporation and the Cyanamid Company of the kind proposed, it was clear that the Cyanamid Company would be in a preferred position with reference to other United States companies, both from the standpoint of the sale of supplies to the Corporation and possibly also by way of the development of retail outlets. He indicated that at conferences with representatives of the Department of Justice, Alien Property Custodian, Board of Economic Warfare, and the Treasury Department, there was general agreement that something more than mere disapproval of the Cyanamid contract was desirable as mere disapproval of the Cyanamid contract might result in action on the part of the Mexican Government which would have a less desirable result than would be secured under the contract. On the one hand, Mexico might dispose of the properties separately, in which event fear was expressed that the properties might be purchased by speculators who would hold for the purpose of selling back to the original owners at a later date. On the other hand, the Mexican Government might merely retain the properties with the present management.

An alternative suggested by the Alien Property Custodian was that this government through one of the companies controlled by the Alien Property Custodian would propose a contract with the Mexican Corporation, under which management service would be offered the Mexicans at a lesser cost than that proposed in the Cyanamid Contract, and an attempt made to strengthen personnel training.

It was also pointed out that there was perhaps not unanimity of opinion among the Mexicans officials. Apparently there were some who perhaps would like to see no action taken along the lines of a management contract with the thought that the properties might be sold separately, in which case there would be the possibility of speculative gains. Certain other officials probably would be unfavorable to any contract which had the effect of strengthening the U. S. position in Mexico.

Mr. Acheson indicated also that in the event the Cyanamid contract were consummated no doubt there would be criticism of the Department of State and this government. However, if the Cyanamid contract was the only apparent

method of ascertaining that German influence would be eliminated from the Mexican companies, then it certainly would appear wise to go forward with the contract. He also stated that B. R. Garfias was now in the United States and proposed to return to Mexico shortly so that it was desirable that a reply to the Mexican Government be prepared.

Discussion served to make clear that there was reasonable agreement as to elimination of Axis influence, and an open market for American firms. The thought was expressed also that it would be desirable to have competitive business within Mexico. There was general agreement, however, that the development of a monopoly within Mexico was a matter entirely for determination by the Mexican Government. However, if the Mexican Government was interested in the development of management, it was doubtful whether the proposed Cyanamid deal was such as might be expected to be fruitful. The question then arose as to whether the United States, in the interest of promoting better a general relationship, protecting the interest of the United States, and also promoting the interests of the Mexican Government, might suggest that alternative measures would merit exploration. On this point there was agreement that the United States should use care to indicate that it was not attempting to dictate methods of operation to the Mexicans. It was stated that the U. S. Ambassador to Mexico had indicated that he thought an alternative suggestion would not be welcomed by the Mexican Government. Mr. Acheson stated however that he believed that no offense would be taken by the Mexican Government.

There was considerable discussion of the relative desirability of the proposed Mexican Government Cyanamid Contract and Alien Property Custodian-Mexican Government contract with the consensus being that the latter would be preferable. Neither program would affect the immediate determination of the Mexican Government to place the 34 Mexican firms under single control. As to the development of Mexican management, it was agreed that the Alien Property Custodian proposal would have greater possibility. Mr. Crowley pointed out that it would be possible to use the income from the companies under his control for the purpose of training Mexican personnel. On the question of keeping the Mexican market open for sales by various firms, the Alien Property Custodian would likewise have greater possibility since control would rest with the U. S. Government and not with a private concern. Mr. Crowley stated that he did not think that firms under the control of the Alien Property Custodian should be allowed to use U. S. supplies for monopoly purposes, stating that he would favor letting all American companies get into the Mexican business.

It was also pointed out that if the Cyanamid contract were made, there was a possibility that control of Mexican companies might revert to the Germans, it being noted in this connection that there was some question as to whether the American Cyanamid Company would be entirely free from certain agreements with German firms after the war. Under the Alien Property Custodian program it would at least be possible for the U. S. to use the controlled firms to improve the situation and also it would be possible to allow the termination of the contract at any time.

Mr. Rockefeller pointed out that the Alien Property Custodian proposal did not necessarily represent any improvement over the Cyanamid proposal. Neither touched the Mexican monopoly question. Through the Alien Property Custodian proposal the United States could probably influence the Mexican decision by making a more attractive offer, particularly if it involved a

subsidized Mexican operation. The net result however would be the use of governmental monopoly power to drive out private companies. Mr. Rockefeller stated further that he was impressed with the fact that the Mexicans were particularly concerned with U. S. paternalism.

Mr. Biddle stated that one major issue was a matter of a Cyanamid Company monopoly versus a U. S. monopoly. Mr. Taylor stated that it appeared to him that in effect the Alien Property proposal would result in giving government controlled firms competitive advantages over private American companies of good reputation.

The Vice President pointed out however that there was a material difference between a private monopoly and a public monopoly.

Mr. White pointed out that in addition to it being possible for the Alien Property Custodian to make management services available to the Mexicans at a lower cost, it would also be possible to make provision for withdrawal of the Alien Property Custodian at the request of the Mexican Government. In other words, a long-time firm contract would not be necessary.

Mr. Crowley stated that the President had indicated that he wished the Alien Property Custodian properties to be retained by the Government at this time and also that he would like to see them used to influence the South American situation.

It was also pointed out by several members that there was the possibility that if properties now under control of the Alien Property Custodian were to be returned it was quite possible that there would be little difference between the Cyanamid proposal and the Alien Property Custodian proposal. As long as the properties were under control of the Alien Property Custodian however, clearly Government influence could be used in the social interest.

There was some discussion also of the relationship of this problem to international cartels. While it is true that that problem was not immediately involved, the Vice President stated that he thought it was a problem with which we should be concerned. It seems to him that the United States had the problem of attempting to restrain activities of U. S. corporations which might move in the direction of controlling international trade through cartels which in some cases can operate as private governments.

Mr. Stone pointed out that the problem was not only a matter of government versus private monopoly but that there were other alternatives, among them being the possibility that management could be secured under the auspices of a development corporation. Mr. Rockefeller stated that development corporations were not proving entirely satisfactory, stating that it was likely that there would be opposition to the further extension of development corporation activities, pointing out that in Haiti there had been considerable resentment over the fact that development corporations involved possible paternalism and particularly a degree of centralization of power far superior to that of any private companies and even of the local government.

The Vice President said that he has been impressed with the advantages which were offered under the Development Company type of operation, and if there were evidence to the contrary, it was desirable that it be made available.

It was decided that a committee should be established consisting of representatives of State, Justice, and the Alien Property Custodian to draft a reply to Mr. Garfias. It was agreed that the letter should indicate that

it was not in any way the intention of the U. S. to attempt to dominate Mexican policy, that the U. S. was not objecting to the Mexican Government entering a contract with an American firm, and that it be suggested that the Mexican Government give consideration to alternatives among them a possible contract with the Alien Property Custodian, which might be more favorable from the standpoint of the Mexican Government. It was suggested that the opinion of the President should be secured with reference to the proposed letter.

It was proposed also that the general problem of governmental policy with reference to international cartels should be considered further by a committee. Following Mr. Acheson's suggestion it was agreed that this larger problem be handled by the post-war cartel committee now in existence and on which there was represented State, Treasury, Board of Economic Warfare, Office of Strategic Services, Justice and some others. Mr. Rockefeller indicated that his office would like to be represented also.

The meeting adjourned at 11:50 a. m.

SECRET 31

Minutes of the Meeting of the Board of Economic Warfare
Held June 17, 1943 at 10:00 a. m.

A meeting of the Board of Economic Warfare was held in Room 801 Senate Office Building at 10:00 a. m. on June 17, 1943.

The meeting was attended by the following members of the Board:

The Vice President, Chairman of the Board
Mr. Dean Acheson, representing the Secretary of State
Mr. Leslie Wheeler, representing the Secretary of Agriculture
Mr. John Lockwood, representing the Administrator, Lend-Lease Administration
Mr. E. R. Stettinius, Administrator, Lend-Lease Administration

In addition, the following persons were present:

Mr. Bernhard Knollenberg, Lend-Lease Administration
Mr. W. L. Clayton, Department of Commerce
Mr. Harold Neff, War Department
Mr. Hugh B. Cox, Department of Justice
Mr. Milo Perkins, Board of Economic Warfare
Mr. William T. Stone, Board of Economic Warfare
Mr. E. W. Gaumnitz, Board of Economic Warfare

Mr. Perkins reviewed briefly his presentation before the House Appropriations Committee on June 1 (Introductory statement by Milo Perkins, Executive Director of the Board of Economic Warfare, before the House Appropriations Committee on June 1, 1943, copies of which had been circulated to Board members.) He stated that the Committee had given a very complete hearing and showed great interest in all of the activities of the Board. While certain of the sub-committee members inquired in detail as to personnel policies, including promotions, salaries of top personnel, and the like, their interest centered in the operations of the decentralization plan of exports and relationships with other agencies, particularly with the Department of State and Lend-Lease. Great interest was also shown in the imports work of the Board during the House hearings.

Mr. Perkins also stated that he had received letters from General Strong which covered the general work of the Board in conjunction with the military authorities, particularly in the matter of security of military information exchanged between the Agencies. These letters had been received after a hearing before the Byrd Committee, which Committee had asked for information on the work done by the Board in conjunction with the military services on highly secret matters.

In response to a question as to the nature of Senator McKellar's queries (at the Byrd Committee), Mr. Perkins indicated that the Senator's question went to the trade arrangements with Spain and certain of the other neutrals. Mr. Perkins indicated further that Senator McKellar raised some other questions as to Board operations, one question apparently being based upon some of Mr. Jesse Jones's statements before the Byrd Committee. He noted, for example, that Senator McKellar indicated that all of the salaries and expenses of employees of the Board were paid under directives issued to R. F. C. Obviously, the Senator had been misinformed, according to Mr. Perkins. It was

agreed that copies of the letters from General Strong should be sent to Board members.

American Cyanamid Question

In response to an inquiry by the Vice President, Mr. Acheson reported that there had been a conference with the President, attended by the Vice President, Mr. Crowley, Mr. Wheeler, and Mr. Acheson. The President had read the memorandum to him, the proposed letter to the Ambassador to Mexico, and the proposed draft of the instructions. He stated that the President indicated that he was not enthusiastic about the proposed Cyanamid contract and also discussed certain of the specific provisions of the proposed contract. Specifically, he apparently thought that the payments by the Mexican Government were excessive. Mr. Acheson stated also that the President was much more favorable to the Alien Property Custodian proposal, seemingly thinking that it was definitely preferable to the Cyanamid proposal. The President also suggested that the note make clear that the United States would not impinge the Mexican Sovereignty but express the opinion that a better deal could be made than that proposed with the Cyanamid Company.

Mr. Acheson suggested that the problem might be handled by directing discussion to the Alien Property Custodian proposal avoiding any statement regarding the Cyanamid deal.

Mr. Acheson also stated that the Cyanamid Company apparently did not want to consummate the Mexican contract if there was any criticism on the part of the various government agencies. The Cyanamid Company apparently did not feel the Mexican contract of great importance to them and possibly were inclined to withdraw from the entire matter.

Swedish Trade

The Vice President asked whether there was any further report on the Swedish negotiations.

Mr. Stone, in reviewing the Swedish situation, indicated that negotiations had been started about six weeks ago with the objective of attempting to gain the points outlined by the Board and cleared with the President. Those objectives involved, among others; reduced Swedish exports to Germany, the elimination of Swedish credits to Germany, and elimination of transit traffic. On credits the latest reports indicate that the Swedes apparently would agree to eliminate all credits except those to Finland which would be on a reduced basis. On the reduction of Swedish exports, negotiations had not been successful as far as the last half of 1943 were concerned, the Swedes indicating that they had commitments covering that period. However, there was a possibility of an over-all reduction of exports of about 13 per cent in total value, that reduction being contingent upon German exports to Sweden not being increased. With reference to 1944 it appeared that the Swedes would agree to a reduction of 35 to 40 per cent, the reduction being stated in terms of specific items and with iron ore being reduced to about seven and one-half million tons. Regarding transit traffic, the Swedes had proposed handling separately from a formal agreement. The Swedes proposed to take action eliminating all of such traffic if they could get their full quota of oil by October. In the event the traffic were not stopped, the U. S. to be free of its obliga-

tions under the supply agreement. Mr. Stone also indicated that there had been further directives from the President in effect accepting the oil proposal. He indicated that at present the agreement called for 30,000 tons of oil products per quarter, so that the first three-quarters oil supply would be delivered by October 1. On October 1 the final 30,000 tons could be made available. Making available the full year's supply prior to October 1 in one sense only meant the difference between the delivery of 30,000 tons at the end of September rather than the 30,000 tons any time after the first of October. Mr. Stone also stated that within the next few days he would expect a complete report.

Mr. Acheson stated that on June 4 the State Department had received a cable from Messrs. Canfield, Cummings and Reifler, who indicated that they thought the arrangements were among the best made with any of the neutrals. A wire had also been received from Ambassador Winant, stating that he was impressed with the Progress Made in the negotiations and urging completion of the negotiations.

The meeting adjourned at 10:40 a. m.

WAR DEPARTMENT
War Department General Staff
Military Intelligence Division G-2
Washington

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12 June 1943.

Mr. Milo Perkins,
Board of Economic Warfare,
Washington, D. C.

My dear Mr. Perkins:

I should like to invite your attention to the developments of the past year in the use of reports prepared by the Board of Economic Warfare in connection with the activities both of the Joint Intelligence Committee and the Military Information Division of the General Staff. The economic material, furnished by the Board of Economic Warfare, has been most useful in connection with estimates of Axis capabilities, both in Europe and the Far East. The services performed by the Board of Economic Warfare, particularly in regard to the oil situation, have been outstanding and far more accurate than information received from any other source. As Chairman of the Joint Intelligence Committee of the Joint Chiefs of Staff, I have come to lean heavily upon your BEW representatives on the Committee and on its Subcommittees, in determining accurate and analytical questions which are of vital importance to sound decisions bearing upon tactical and strategical plans. The reports and analyses submitted to the Joint Intelligence Committee, through your representatives, have been of outstanding value and a material contribution to the overall picture which is essential to sound intelligence and the basis for sound planning. In addition, your organization has been particularly helpful in various problems arising in the estimation of the Axis positions in regard to strategic materials, foodstuffs, industrial capacity, and potentialities of the German and Japanese war machines.

In the government service we are too often prone to accept services as a matter of course and without any particular recognition. In view of the heavy burden which my organizations have undoubtedly placed upon yours, I desire to take this opportunity to express to you and, through you, to the personnel of your organization my very keen appreciation and heartfelt thanks for the close cooperation and the outstanding services performed by the personnel of the Board of Economic Warfare.

Very sincerely yours,

/s/ Gen. Strong
GEO. V. STRONG,
Major General,
A. C. of S., G-2

In reply refer to:
MED 904 (6-14-43)

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14 June 1943

Mr. Milo Perkins
Board of Economic Warfare
Washington, D. C.

My dear Mr. Perkins:

In my letter of 12 June I had the pleasure of expressing to you the appreciation of this Division for the excellent and important contribution made by the Board of Economic Warfare to military intelligence. Permit me now to ask your consideration of another aspect of this matter. I refer to its security implications. As you are aware there is a two-way relationship between the Board of Economic Warfare and the Military Intelligence Division, inasmuch as we exchange information. Much of the data which we give you is confidential or secret and its exposure in any way might place in the hands of the enemy weapons which would be most damaging to the cause of the United Nations. May I therefore ask you to exercise at all times careful precaution that classified material received from Military Intelligence Division is properly safeguarded and used only for the prosecution of the war.

My concern in this connection is heightened by my knowledge that the Board of Economic Warfare is playing an integrated part in the conduct of the war and is actually conducting economic operations directed against the enemy and coordinated with our general strategy. It is thus quite possible that, should enemy agents by any means obtain access either to the broad or to the detailed strategic programs executed by the Board of Economic Warfare, they might well be able to diagnose our purely military plans.

While it is not my own immediate province, permit me also to suggest to you that your tactics and techniques of conducting economic warfare might well provide the enemy, if they were known to him with means of combating your operations. I make this suggestion from the realization that your effort is integrated with the military effort in the global strategy which we are pursuing. Any defeat which you might suffer through enemy knowledge of the scope, direction and method of your operations will be reflected eventually in the military field.

Very sincerely,

GEO. V. STRONG,
Major General,
A. C. of S., G-2

UNITED STATES SAVINGS BONDS

Sales since May 1, 1941, by months
(At issue price in thousands of dollars)

Month	Series X			Series Y	Series G	Total
	Post Offices	Banks	Total			
1941						
May	\$ 42,836	\$ 57,745	\$ 100,581	\$ 37,317	\$ 211,420	\$ 349,818
June	40,788	61,729	102,517	28,375	183,134	314,527
July	50,558	94,717	145,274	27,359	169,498	342,132
August	40,725	76,873	117,603	20,318	127,685	265,606
September	38,117	67,123	105,241	18,099	108,967	232,327
October	41,634	81,250	122,884	22,963	124,866	270,713
November	37,997	71,478	109,475	18,973	105,035	233,487
December	103,154	237,930	341,085	33,272	154,242	528,599
1942						
January	158,469	508,942	667,411	77,559	315,576	1,060,546
February	36,938	311,051	397,989	51,820	253,391	703,200
March	86,278	251,321	337,599	41,070	179,223	557,892
April	83,802	242,358	326,560	40,003	163,839	530,502
May	108,005	313,826	421,831	42,465	170,060	634,357
June	105,907	327,316	433,223	41,041	159,681	633,945
July	116,721	391,396	508,118	73,691	319,053	900,861
August	103,951	350,016	453,967	52,268	191,020	697,255
September	107,620	402,235	509,855	60,303	184,026	754,684
October	111,711	553,136	664,847	60,565	209,587	934,998
November	105,507	436,066	541,573	44,766	148,211	734,549
December	130,359	595,418	725,777	65,994	222,398	1,014,168
1943						
January	144,495	670,433	814,928	77,066	348,450	1,240,444
February	111,146	522,425	633,572	48,328	205,295	837,195
March	123,189	598,219	720,407	43,858	180,011	944,276
April	150,041	846,745	1,006,786	109,517	353,421	1,469,724
May	154,591	840,643	995,234	85,343	253,857	1,334,984
June	112,147	584,066	696,213	35,149	144,128	875,491
Total	\$2,505,688	\$9,494,961	\$12,000,649	\$1,259,537	\$5,186,094	\$18,446,281

Office of the Secretary of the Treasury,
Division of Research and Statistics.

July 1, 1943

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

WAR FINANCE BULLETIN

Office of the Secretary of the Treasury

Issue No. 2

July 1, 1943

The Job Ahead

The Treasury has raised its sights considerably on War Bonds for the rest of the year. During the first half of this year we sold approximately \$7 billion in War Bonds to individuals. During the second half we propose to sell \$18 billion -- or more than twice as much. To some people the task seems impossible. They say we're shooting for the moon. Let's see.

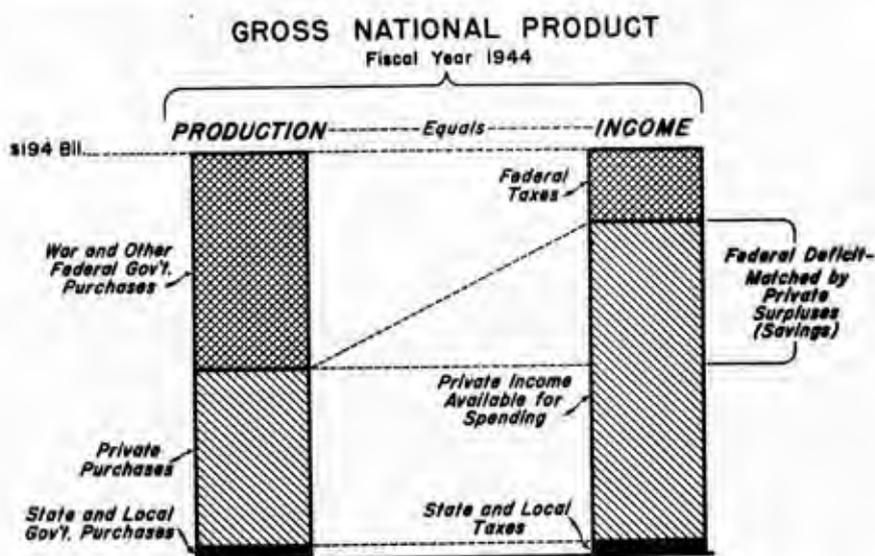
There is no mystery as to the sources from which these funds might be obtained. Production in general -- and war production in particular -- is creating the very funds we want to tap. War production is not only turning out the planes, tanks, and ships that will crush the enemy; it is also generating at the very same moment incomes equal in amount to that production. What the people of the nation receive in the way of incomes is simply the equivalent of what they produce in the way of goods and services. If the Government, therefore, is spending more than it is receiving in taxes, and is thus faced with a deficit, the people of the country are receiving more than they are spending, and are thus possessed of a surplus. It is precisely this surplus (or savings) that the Government is in search of.

It is important to bear in mind here that this increase in surplus (or savings) represents a national total that will be distributed among individuals in varying amounts. Some individuals -- those living on fixed incomes, pensions, annuities and so on -- may find it impossible to

Information Service for State War Finance Committees

- 2 -

increase their savings appreciably. Other individuals, however, with larger than usual wages -- a large proportion of our people -- are saving far in excess of the national average. It is the great merit of the voluntary savings program that it can separate the wheat from the chaff and provide the mechanism for mobilizing wartime savings.



The chart above shows that in fiscal 1944 approximately one-half of the Gross National Product -- that is, the value of all the goods produced and of all the services rendered by the whole nation in a year -- will be bought by the Government for war activities, and approximately half will go for everything else. Under existing tax legislation, however, only slightly more than one-third of Government expenditures will be covered by taxes, the remaining two-thirds by borrowing. The deficit will be something like \$70 billion -- and this deficit in turn will necessarily be matched by corporate and individual

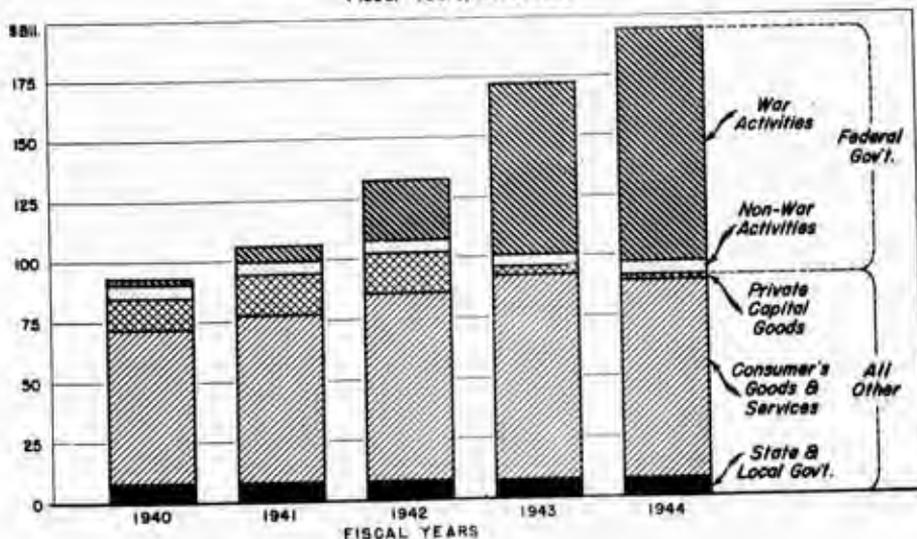
surplus (or savings) of an approximately equal amount. Only minor adjustments keep the two figures from being identical.

The fundamental task of war finance is to transfer this excess income from private to public use; to draw back into the Treasury out of the incomes created by our ever-expanding national production an amount equal to what the Government is spending. This can best be done by increasing taxes and by increasing the sale of War Bonds. Unless these measures are employed, either alone or in combination, excess funds now accumulating are likely to lead to an inflationary price rise, for the supply of goods and services is severely limited, and cannot be increased.

Our task in fiscal 1944 is to make our production and financial gears mesh. To accomplish this we must raise our sights even further on taxes and War Bonds. Only by so doing can we remove inflationary pressures at their source and preserve a reasonable measure of economic stability

GROSS NATIONAL PRODUCT

Fiscal Years, 1940-44



The chart above shows the absolute increase in our national production since 1940, as well as the relative changes in the components that go to make up that production. The country's gross production of goods and services will have increased from \$92 billion in fiscal 1940 to an estimated \$194 billion for fiscal 1944 -- an increase of 110 percent. The production of war materials and services will have soared from \$2 billion in fiscal 1940, or about two percent of gross product, to an estimated \$100 billion for fiscal 1944, or 52 percent of gross product.

We are producing for war alone as much as was produced for all purposes as recently as 1940 -- and, in addition, enough to feed and clothe our population and maintain essential civilian activities. War is the principal activity in the economic life of the nation. It must be our job from now on to make financing the war as important an activity to the individuals of the nation.

It is impossible at the present time to set a goal for the sale of War Bonds for the whole of fiscal 1944. That depends upon what Congress does about additional ~~taxes~~ taxes for next year. We have set a goal of \$18 billion, however, for the first half of this fiscal year -- that is, through December. In a future issue of the War Finance Bulletin we hope to discuss this goal in some detail.

Room 278

Under Secretary

Exp. Loans A and E

July 1, 1943

To Presidents, Federal Reserve Banks:

Boston, Mass.
 New York, N. Y.
 Philadelphia, Pa.
 Cleveland, Ohio
 Richmond, Va.
 Atlanta, Ga.

Chicago, Ill.
 St. Louis, Mo.
 Minneapolis, Minn.
 Kansas City, Mo.
 Dallas, Texas
 San Francisco, Calif.

I would appreciate it if I could have your suggestions as to types, rate and maturity of obligations that should be included in Third War Loan Drive. If your suggestions contain any securities that fall within banking range of maturities I would also like to have your suggestions as to how to keep such securities out of the banks during and immediately following period of drive. Also advise how you feel about the whole basket of securities being opened for the entire period of drive for any subscriber outside of commercial banks, whether large investors such as insurance companies and savings banks should be confined to last few days of drive period or whether first part of the drive should be confined entirely to individuals. Include any other suggestions that you may have concerning the announcement of the basket, which we hope to make public not later than July fifteen. It would be very helpful if I could have your reply by Saturday but if not convenient to you let me have it by Tuesday of next week.

BELL

(Initialed) D. W. B.

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BELL

Reurtel first suggest you consult open market committee as to suggestions for Third War Loan. If you wish me to discuss your wire with local bankers shall be pleased to do so upon request and submit their views to you.

Peyton

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1943 JUL 6 PM 4 45

BELL

Reurtel suggest a 2-1/2 PC bond maturing Dec 15, 1969-64, issued in denominations as low as \$100 similar to 2-1/2's of June 15, 69-64 and with provision that it will be redeemed at par and accrued interest by the estate of the owner regardless of the purpose for which the proceeds of redemption are used; also 2 PC Treasury bond with maturity March 15, 53-51 and a 1 PC or 1-1/4 PC Treasury note with appropriate maturity be included in the obligations offered during the Third War Loan Drive, as well as Series E F and G Savings Bonds and Series C Tax Savings notes. Recommend slightly increasing yield on tax savings notes ranging possibly from sixty five hundredths percent for first six months to an average of one point twenty percent if held to maturity. The only practical way to keep securities out of banks during and immediately following period of the drive is to place a prohibition on their being held by commercial banks, similar to the one in respect to 2-1/2 PC Treasury bonds, except that the period of prohibition would be less, say three or six months. In our opinion large investors, such as insurance companies and savings banks should be permitted to purchase during the entire period of the drive. It is difficult to satisfactorily prevent this being done indirectly. I approve the early announcement on July 15, giving national quotas divided between purchases to be made by individuals and others, with advice to the state chairmen, as soon as possible, of their state quota after the general announcement has been made. The foregoing represents the majority of opinion of several of our senior officers

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W28G13WASH HL47 STL 6-530

BELL TREAS

Further reurtel, three local banks concur in list of securities to be included in Third War Loan Drive as outlined in my telegram to you today. One suggests that 7/8 percent certificates of approximately one year maturity should be added and another suggests institutional investors should be permitted to make purchases of any of the securities available for them only at the end of the drive. This latter suggestion made for two reasons: It will prevent over subscription of quotas in the early stages of the drive and will not add to excess reserves early in the drive.

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1943 JUL 7 PM 12 02

BELL

TREAS DEPT

Retel 1st banks and others consulted generally feel securities Third Drive might well follow pattern second drive with extension maturity of bonds and retention restriction on commercial banks holding two and one-half percents for own account. Also might have restriction for short period on availability as collateral of two percents subscribed for and allotted investors. Believe desirable whole basket be open for entire period for any subscribers outside commercial banks; subscriptions such banks for own account to be open for last few days of drive only

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1943 JUL 7 AM 11 51

BELL

Reurtel July 1. Have obtained suggestions from several bankers and regional managers of Victory Fund Committee in this district as to types, rate, and maturity of obligations they think should be included in Third War Loan Drive. The consensus is that basket of securities should consist of 2 1/2 percent long term bonds similar to those offered during last drive, Series E, F and G War Savings Bonds, and 2 percent bonds with maturity of seven to ten years. Majority of those contacted feel certificates of indebtedness should be eliminated, although two or three individuals think certificates should be offered to public during the drive. Opinion is divided as to advisability of including tax savings notes in basket of securities, but those opposing their inclusion think two or three year Treasury notes should be offered. Practically every one feels that banks should be excluded from the drive and that whole basket of securities should be available to all nonbank investors, including insurance companies, for entire period of drive. My own opinion is that basket of securities should consist of 2 1/2 percent long term bonds, war savings bonds, 2 percent eight to ten year bonds, and tax savings notes. Think certificates of indebtedness should not be offered to public during forthcoming drive, and that whole basket of securities should be available to all nonbank subscribers, including insurance companies, for entire period of drive. In order to keep 2 percent bonds out of banks during and immediately following period of drive, suggest that bonds be made ineligible for purchase by commercial banks for period of six months. It is my opinion that such a restriction would not materially affect the sale ability of the bonds.

GILBERT.

W02G41WASH GXL43 CGO 6-1159

1943 JUL 6 PM 1 14

BELL

We have contacted representative bankers and large investors of our district with reference to types, rate and maturity of obligations that should be included in Third War Loan Drive. The banks were almost unanimous in their suggestions that a long term 2-1/2 percent bond should be included. In this connection they thought insurance companies should be given a separate quota and that the War Finance Committees should concentrate solely on sales to individuals and corporations other than insurance companies and savings banks. The banks were divided as to whether, assuming that a separate quota is given the insurance companies and savings banks, it should be offered the last few days of the drive or whether it should be kept open the entire drive. Insurance companies in our district would prefer that it be open to them during the entire drive. A great many of the banks believe that in order to interest corporations an intermediate bond of ten years or less should be included in the basket. They also believe that if an intermediate bond is offered it should not be eligible for banks to hold until March 15 1944. The following suggestions have also been made:

- (1) greater emphasis be made by the state committees in the sale of G bonds
- (2) that the War Finance Committees concentrate solely on individuals and corporations other than insurance companies and savings banks
- (3) that a \$100 coupon bond 2-1/2 percent would not materially increase sales
- (4) that tax notes should not be included in the quotas
- (5) that a short term note of less than five years would be desirable for large corporations having large amounts of idle cash

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1943 JUL 7 AM 745

D. W. BELL - TREASURY

Replying your telegram July 1 do not believe it possible to offer public an issue attractive to banks without banks accumulating substantial part thereof. Furthermore best opinion is that it would be undesirable to impose ineligible provisions on issues in banking range. As to future financing feel it desirable to make an offering exclusively to banks 30 days in advance of drive. Such pre-drive issue should be 5 to 8 years and allotted to highest bidder in amounts not exceeding combined capital and surplus. On assumption that bank offering would precede drive by not less than 30 days and no short term negotiable certificates, notes, or bonds will be offered in basket, recommend for Third Loan Drive Series E, F, G, Savings Notes C, and 2 1/2 percent bond maturing 64-69 and, for insurance companies and savings banks particularly, 2 1/4 percent maturing 56-59. Also recommend that 2 1/2 percents be eligible for commercial banks in amounts equal to 5 percent of savings accounts (See Clerk's letter May 4). It would have bad psychological effect upon general public to have it known that insurance companies and savings banks will enter closing days of drive. Likewise it would have bad effect to have it known that subscriptions of insurance companies and savings banks have resulted in substantial part of quota being raised early in campaign. Because of these facts and because no particular sales effort required, believe it best to have insurance companies and savings banks kept out of quota to be raised from public. These are views of those whom we consulted.

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NEW YORK WFC 7-3-43

3:15 PM N.Y. Burgess

FOR IMMEDIATE DELIVERY TO MR DANIEL W BELL

AFTER CONSULTATION WITH ASSOCIATES I SUGGEST THE FOLLOWING BASKET FOR SEPTEMBER DRIVE E F G BONDS, SERIES C SAVINGS NOTES, A NEW SERIES OF 2-1/2 PERCENT BONDS MATURING DECEMBER 15, 1969, CALLABLE 1964, A 2 PERCENT BOND MATURING MARCH 1953 CALLABLE 1951, A 7/8 PERCENT ONE YEAR CERTIFICATE. THE 2-1/2 PERCENT BOND IS NECESSARY TO ATTRACT INSURANCE BUYING AND CERTAIN OTHER INVESTORS. THE 2 PERCENT BOND IS NECESSARY AS AN ALTERNATIVE FOR INSURANCE COMPANIES WHICH ARE BOTHERED ABOUT LARGE MATURITIES OF THE LONGER BOND. IT IS ALSO AN EXCELLENT BOND FOR GENERAL SALE TO MANY PRIVATE INVESTORS WHO PREFER A COUPON BOND SALABLE IN THE MARKET AND USABLE AS COLLATERAL. I RECOMMEND \$100 DENOMINATION FOR THIS 2 PERCENT BOND BUT NOT FOR THE 2-1/2 PERCENT. THE 2 PERCENT IS SHORT ENOUGH SO THAT THE RISK OF LOSS IS NOT SERIOUS AND IT WOULD ATTRACT MANY BUYERS WHO WANT THAT TYPE OF BOND. THE CERTIFICATE IS DESIRABLE FOR CORPORATIONS MANY OF WHOM PREFER SUCH A MARKET ISSUE TO THE C NOTES. THE BEST METHOD TO AVOID EXCESSIVE BANK BUYING OF THE 2 PERCENT BOND OR 7/8 PERCENT CERTIFICATE IN THE AFTER MARKET WOULD BE ANNOUNCED IN ADVANCE THAT BANKS WOULD BE GIVEN AN OFFERING OF THESE ISSUES IN OCTOBER. ALSO SUBSCRIPTIONS OF DEALERS SHOULD BE LIMITED DURING DRIVE AND SUBSCRIPTIONS OF INVESTMENT AND BROKERAGE HOUSES SHOULD BE SCRUTINIZED FOR EVIDENCE OF SPECULATION. BANKS MIGHT WELL BE REQUESTED NOT TO LEND WITHOUT ADEQUATE MARGIN. REGARDING SUGGESTION THAT LARGER BUYERS SHOULD BE HELD OFF TO THE END OF THE DRIVE THIS IS DIFFICULT TO CARRY OUT BUT BELIEVE THE EMPHASIS ON INDIVIDUALS MAY BE BEST BROUGHT ABOUT BY QUOTAS FOR INDIVIDUAL SUBSCRIPTIONS AND EMPHASIS ON THIS QUOTA AND ACHIEVEMENT IN ALL PUBLICITY

BURGESS

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1943 JUL 3 AM 10 41

BELL

Reurtel July 1. After meeting with area chairmen yesterday, I submit the following as the personal views of all of us:

1. A 2-1/2 percent bond 20-25 year titled "Third War Loan" for other than banks, dated October 1 to avoid accrued interest.
2. A 2 percent bond 8-10 years to be sold to banks on definite allotment, permitting banks to subscribe for a stated percentage of their net deposits. Considerable dissatisfaction because of cuts owing to padding under present plan. This bond to be sold to banks after drive is over.
3. A 7/8 percent certificate to be sold to banks at time of 2 percent offering and under the same plan suggested for the 2 percent bonds.
4. Continuous sale of C tax notes not to be included in drive quotas.
5. Continuous sale of E, F and G bonds total of which should be included in drive figures.
6. Announcement of offerings to be made promptly in order that War Finance Committee organizations may organize their sales force for drives and that banks have knowledge of what may be expected of them.

FLEMING.

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PHILA JULY 2-528 P

BELL

Replying your telegram July 1, we assume that the next September War Loan Drive for funds will be confined to others than commercial banks accepting demand deposits. This separation of bank drives from nonbank drives is highly desirable. It may also be desirable to have a separate drive for funds from insurance companies and savings banks, inasmuch as these sources, like the commercial banks, are to be handled by the reserve banks under the new organizational set-up.

The drive for funds from insurance companies and savings banks may be handled in one of the following ways:

- (a) Confine subscriptions to the last few days of the campaign although this may be objectionable as it would result in loss of interest.
- (b) Permit purchases of securities at or near the time they are dated.
- (c) Permit purchases at any time during the drive, as in the last campaign.
- (d) Allow insurance companies and savings banks to buy securities on a partial payment basis in anticipation of their needs. This suggestion merits your consideration.

With respect to type, rate and maturity of obligations to be included in the basket, we suggest the following:

1. 2-1/2 percent long-term bond, not eligible for commercial banks for ten years.

Suggest that the denominations be lowered to \$100. There are investors who prefer long-term coupon securities with a collateral feature but are unable to pay as much as \$500 at one time.

This change would not necessarily make the bond competitive with war savings bonds. It may, on the other hand, increase the sale of securities that are not demand liabilities in the sense that war savings bonds are.

2. 2 per cent open market coupon bond maturing in ten years or less. To keep this bond out of the banks during and immediately after the drive, a definite period during which commercial banks may not buy this bond may be defined in the official circular or in a special statement of the Treasury.
3. Continue to intensify the drive for Series E, F and G bonds. Such a basket of five bonds for nonbank investors would simplify the marketing problem.

- 2 -

The drive for tax savings notes should be intensified but we prefer to see this security excluded from the basket, even if the goal is to be lowered by the estimated amount of tax notes to be sold.

It is difficult to say whether or not it would be advantageous to announce at this time total amount to be raised from nonbank investors during the next drive. It may be preferable to do it early in August, when experience with tax deductions will be better known. Later date would also be more desirable from the standpoint of publicity.

Because there is general demand for quotas, we suggest that goals be carefully set only by states, leaving further subdivisions of quotas to local organizations.

WILLIAMS.

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1943 JUL 5 PM 1 38

BELL

Re your wire July 1 Third War Loan Drive. Have taken up questions with many bankers located in the larger cities of the district and opinions expressed herewith are as close as possible to the consensus of the opinion of these bankers although, of course, all parties consulted do not unanimously agree on all points.

Suggest that following issues be included in Third War Loan Drive.

E, F & G Savings Bonds.

A 7 to 10 year Treasury bond with appropriate interest rate, priced as close as possible to the then existing market rather than below the market.

A long term 2-1/2 percent tap issue similar to the issues now outstanding.

Suggest that above mentioned 7 to 10 year bond carry the provision that it cannot be owned by commercial banks for a period of sixty days following closing of subscription books which we believe would solve the problem of this issue getting into the hands of banks immediately following the drive.

Feel that whole basket of securities should be available for the entire period of the drive and that large investors such as insurance companies and savings banks should be allowed to purchase available securities at any time during the drive.

It appears to be the general opinion that an offering to commercial banks should be entirely separate from the Third War Loan Drive and suggest that an offering to these institutions be made after the close of the other drive. We also feel that this offering should be for commercial banks only and that a limit should be placed on subscriptions based on net demand deposits or capital and surplus or some other basis.

VICTORY FUND COMMITTEE.

COPY

WASH B200 NY 3 255P

1943 JUL 3 PM 3 41

BELL

ANSWERING YOUR TELEGRAM JULY 1, OUR PRESENT VIEWS ARE AS FOLLOWS:

GENERAL 1. TREASURY SHOULD MAKE CLEAR-CUT PUBLIC ANNOUNCEMENT OF DECISION TO SEPARATE BANK AND NON-BANK FINANCING, NON-BANK FINANCING TO BE DONE DURING DRIVES AND THROUGH CONTINUOUS SALES OF SERIES E, F AND G BONDS AND SERIES C NOTES, WHILE BANK FINANCING SHOULD BE DONE WITH OFFERINGS SOLELY TO BANKS IN PERIODS BETWEEN DRIVES. SEPARATION OF FINANCING THROUGH INSURANCE COMPANIES AND OTHER INSTITUTIONAL INVESTORS FROM FINANCING THROUGH INDIVIDUALS AND CORPORATIONS MORE A MATTER OF QUOTAS THAN OF POLICY AND SHOULD BE DEALT WITH THROUGH QUOTAS. IN OTHER WORDS, IF INSTITUTIONAL INVESTORS ARE INCLUDED IN DRIVES, THEY SHOULD HAVE QUOTA SEPARATE FROM QUOTA FOR INDIVIDUALS AND CORPORATIONS AND PUBLICITY AND SALES EMPHASIS SHOULD BE ON LATTER QUOTA.

2. IN ADDITION TO EARLY ANNOUNCEMENT OF DRIVE OFFERINGS, IT WOULD BE DESIRABLE TO HAVE AN ANNOUNCEMENT OF WHAT BANKS MAY EXPECT IN NEXT FOUR MONTHS, INCLUDING REFUNDING AUGUST 1 CERTIFICATES OF INDEBTEDNESS AND OCTOBER 15TH 3-1/4% BONDS, AND YARDSTICK WHICH IS TO BE USED IN CONNECTION WITH BANK SUBSCRIPTIONS. THIS WOULD HELP SOLVE PROBLEM OF INDIRECT BANK BUYING DURING DRIVES.

SPECIFIC 1. BASKET OF SECURITIES SHOULD INCLUDE: (A) 2-1/2% BOND OF RESTRICTED MARKETABILITY OF SAME TYPE AND APPROXIMATE MATURITY AS IN PREVIOUS DRIVES WITH \$100 DENOMINATION INCLUDED. PROVISION SHOULD ALSO BE MADE FOR PARTIAL PAYMENT TO ENABLE LARGE INSTITUTIONAL INVESTORS TO ANTICIPATE ACCUMULATION OF FUNDS BETWEEN DRIVES AND TO ENABLE SMALLER INVESTORS TO ANTICIPATE FUTURE INCOME; (B) 2% BOND OF REGULAR MARKET TYPE ACCOMPANIED BY TREASURY STATEMENT THAT ISSUE WILL NOT BE ELIGIBLE FOR BANK OWNERSHIP OR AS BANK COLLATERAL DURING PERIOD SEPTEMBER 15 - OCTOBER 14; (THIS BOND MIGHT ALSO BE USED IN EXCHANGE OFFERING FOR CALLED 3-1/4'S FOR DELIVERY AND PAYMENT ON OCTOBER 15); (C) SERIES C NOTE WITH REAL PUBLICITY AND SELLING PRESSURE AND WITH SOME RELAXATION OF PROVISIONS SUCH AS THIRTY-DAY NOTICE OF REDEMPTION WHICH NOW HINDER SALABILITY; (D) SERIES E, F AND G WAR BONDS. BECAUSE OF COMPLICATIONS WHICH THEY MAY INTRODUCE IN ANY POST-WAR ANTI-INFLATIONARY PROGRAM, BELIEVE ATTENTION SHOULD NOW BE GIVEN TO CHANGING REDEMPTION FEATURE OF BONDS SO THAT REDEMPTIONS MAY BE DEFINITELY STAGGERED OVER A PERIOD OF TIME.

2. IMPOSSIBLE TO KEEP FULLY MARKETABLE BANK-RANGE SECURITIES OFFERED TO NON-BANK INVESTORS DURING DRIVES FROM GOING INTO BANKS SUBSEQUENTLY. MAIN RELIANCE MUST BE PLACED ON GETTING BANK EXCESS RESERVES DOWN AND ON MAKING OFFERINGS BETWEEN DRIVES SOLELY FOR BANKS.

3. WOULD OFFER WHOLE BASKET OF SECURITIES FOR WHOLE PERIOD OF DRIVE TO ALL NON-BANK INVESTORS BUT CONCENTRATE PUBLICITY AND SELLING PRESSURE ON QUOTAS FOR INDIVIDUALS AND CORPORATIONS OTHER THAN LARGE INSTITUTIONAL INVESTORS.

OTHER SUGGESTIONS. HIGH GOALS RATHER THAN LOW GOALS SHOULD BE SET FOR DRIVE. THAT MEANS DIFFICULT BUT NOT IMPOSSIBLE GOALS. THE EFFECT OF SUCH GOALS ON MORALE OF PUBLIC AND ON OBJECTIVE OF REACHING MAXIMUM NUMBER OF AND SELLING MAXIMUM AMOUNT TO NON-BANK INVESTORS WOULD BE BETTER THAN IF LOW GOALS ARE FIXED WHICH ARE EASILY EXCEEDED BY LARGE AMOUNTS.

SPROUL

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W84 WASH RH 46 RICH 3-1220

BELL TREASURY

In accordance with your telegraphic request I am submitting below a summary of views of selected bankers and officers of other large institutions in fifth district on questions you asked.

Basket should include series E, F and G Savings Bonds, series C Treasury Savings Notes, a 2% bond, and a 2-1/2% bond. Opinion is practically unanimous that for obvious reasons no certificate should be included, but some think a note would prove attractive to corporations. As to keeping the 2% bond out of banks during and immediately following period of drive, practically everyone is opposed to any restrictions as to registration, delayed delivery, ineligibility for banks, etc. Nobody seemed to have a practical answer other than the suggestion made by quite a number that a 2% issue of stated amount be offered to banks exclusively sometime before the start of the drive. As to whether whole basket should be left open for entire period of drive for any subscriber outside of commercial banks, opinion is divided. Some, particularly those located in Baltimore, say yes in the belief that large figures and sales of sizeable amounts to large investors induce others to buy and is good campaign technique. Others favor leaving insurance companies and mutual savings banks to last part of period, assuming there is to be one quota for all, because the greatest handicap we had in this district during the period of the second drive was the big figures and success stories emanating from New York and Washington during the first part of the drive. It was difficult to keep salesmen working enthusiastically on small individuals after it became evident that the goal was in sight. I personally feel quite strongly that no certificate should be included in the basket.

LEACH

COPY

1943 JUL 7 PM 5 08

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BELL

UNDER SECRETARY OF TREASURY

In response your wire relating securities to be included in Third War Loan Drive the following suggestions of character you mentioned are submitted:

- (1) Offerings to consist of E, F and G Bonds, a 2-1/2 percent Bond, a 2 percent Bond and Series C Tax note;
- (2) In order to keep the 2 percent bonds out of the banks during and immediately following period of the drive it is recommended that this issue be made ineligible for purchase by banks for a term of not less than three months, or perhaps even six months;
- (3) Permit insurance companies and savings banks to enter subscriptions only during the last ~~few~~ days of the drive.

LEEDY.

July 1, 1948

My dear Mr. Dietz:

Thanks very much for your telegram of June 30th. I wish you would inform Mr. Nicholas Schenck that I appreciate his cooperation in withholding the release of the film, "Inflation".

I hope I have not caused you too much inconvenience, but you can see by the papers that the fight against inflation is not going too well, and I was fearful that this picture might have a harmful effect just at this time.

With kind regards, I remain

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Howard Dietz,
Metro-Goldwyn-Mayer,
1540 Broadway,
New York, New York.

Complete file
in Diary.

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WUX NEWYORK NY JUN 30 1943 510P

HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY

1943 JUN 30 PM 6 04

MR NICHOLAS M SCHENCK PRESIDENT OF THE COMPANY SENDS HIS
 BEST WISHES AND WANTS YOU TO KNOW THAT THE "INFALTION" FILM
 IN ACCORDANCE WITH YOUR REQUEST WILL NOT BE DISTRIBUTED STOP
 HE IS SURE YOU REALIZE THAT THIS FILM WAS MADE AS THE REQUEST
 AND WITH THE SCRIPT APPROVAL OF THE OWI STOP WE HAVE INFORMED
 THE OWI THAT THIS PICTURE WILL NOT BE RELEASED. SINCERELY
 HOWARD DIETZ.

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July 1, 1943

Dear Lowell:

I thought you would be interested in the inclosed correspondence.

Sincerely yours,

(Signed) Henry

Mr. Lowell Mellett,
Chief,
Bureau of Motion Pictures,
Office of War Information,
1400 Pennsylvania Avenue, N.W.,
Washington, D.C.

*Enc. copy of 6/30 teleg. from Dietz
" of Secy's reply to Dietz dt 7/1/43*

Copy in Diary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 1, 1943

TO Secretary Morgenthau
FROM Mr. Gaston

After I had written the attached memorandum to you on the subject of the letter from Senator Reynolds I received a call from his office stating that the Senator had changed his mind and now wanted a letter telling him what I had told him over the telephone. I wrote such a letter on Tuesday of this week, June 29, and mailed it after it had been approved by Chief Wilson and Norman Thompson. I am attaching a copy.

I am going to Cleveland tonight with Ted Gamble, will return Saturday morning, and will probably leave Sunday or Monday for Atlanta, according to present plans.

W.S.

Attachments

June 25, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I attach copy of a letter from Senator Reynolds, Chairman of the Military Affairs Committee, to Chief Wilson, on the subject of White House police and special detail exemptions from military service. Chief Wilson made an interim reply to this in my absence.

Today I called Senator Reynolds and explained to him just exactly what we had done and the necessity for it. I told him that the White House detail were the select men of the Presidential guard and the cream of the Secret Service, that we didn't think ordinary deferment would be satisfactory in their case since the cases would be coming up again repeatedly and we didn't want to take any chance of losing these key men. Consequently, I told him, an arrangement had been made whereby they were all being inducted into military service (20 out of the 25 have now been inducted and the induction of the remainder is being delayed for the receipt of reports from distant draft boards). I said that as to the White House uniformed force we did not think it necessary at this time to ask for the deferment of any of them and that as a matter of fact there were at the present time no deferments and no requests for deferment outstanding of any of the Secret Service although we had lost a considerable number of men.

The Senator professed himself satisfied with this explanation and when I asked him if it would be necessary for me to write a letter on the subject, he said it would not be. I have no doubt that some of the White House uniformed force have gone to him with their story claiming discrimination against them.

W.S.

COPY

UNITED STATES SENATE
Committee on Military Affairs

June 17, 1943.

Mr. Frank J. Wilson, Chief,
Secret Service,
The White House,
Washington, D.C.

My dear Chief Wilson:

Some very serious charges have been brought to the attention of my Committee concerning the military induction of certain secret service operatives detailed to the White House and their subsequent return to their duties at the White House.

From information I have before me it appears that no deferments are being given to the uniformed police guard at the White House, while on the other hand, some form of deferment apparently is being extended to the secret service operatives.

I would appreciate your writing me in detail as to the policy of your office relative to the inducting into the military service and the request for deferments on the part of your office for your plain clothes operatives. I trust that you will write me fully and in detail concerning this, as my Committee is desirous of having this information before taking the matter up with officials of the Selective Service.

Sincerely yours,

(Signed) Robert R. Reynolds

Robert R. Reynolds, Chairman
Senate Military Affairs
Committee.

rrr/dss

June 29, 1943

My dear Senator Reynolds:

I am writing in further reference to your letter of June 17, 1943, addressed to Chief Wilson of the Secret Service, and supplementing my telephone conversation with you on Friday of last week.

You have been correctly informed that the Treasury Department is not at this time asking for Selective Service deferment for any of the uniformed police guard at the White House. In fact, at the present time, we have no outstanding deferments at all for officers of the Secret Service or of the Secret Service uniformed force, nor are any applications for deferment pending. While both the uniformed force and the regular operating force of the Secret Service have been substantially reduced by entry of men into military service, we are endeavoring to the best of our ability to maintain efficiency of the service without asking for deferments. How long it will be possible to continue that policy, I am not able to state.

With respect to the twenty-five men who constitute the White House detail of the Secret Service there is a different situation. These are the men who have the responsibility of guarding the President. They are a highly select force, chosen on the basis of physical and mental characteristics, as well as experience, for the particular tasks they have to perform. Their duties, as of course you are aware, require vigilance, physical alertness, good judgement, tact and courage. It is extremely difficult to replace men of their special qualifications. Since Pearl Harbor, however, we have had to replace fifteen of them who entered the military services. We had arrived at a point where, in our opinion, the responsibilities with which they are charged would be gravely menaced if we permitted further depletions in the force.

The process of asking repeated deferments would create uncertainties unfair to the men themselves and accordingly a special arrangement was made through the Secretary of War by which these twenty-five men are being

- 2 -

inducted into military service and released on special furlough only for the purpose of discharging their mission of guarding the President. Of the twenty-five, twenty already have been so inducted, the induction of the remaining five having been delayed for receipt of papers from draft boards in remote parts of the country.

Sincerely yours,

(Signed) Herbert E. Gaston

Herbert E. Gaston
Assistant Secretary of the Treasury

The Honorable Robert R. Reynolds
Chairman, Senate Military Affairs Committee
United States Senate
Washington, D. C.

HEG:ds

He

Harry White

July 1, 1943

Secretary Morgenthau

Is this a man I can, or should, make use of?

Franiches

Clipping from TIME (Business & Finance Section) re
Economist Henry Calvert Simons, associate professor
of economics at Chicago Univ.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, July 1, 1943.

Press Service
No. 37-32

The Secretary of the Treasury, Henry Morgenthau, Jr., and the Charge d'Affaires of Cuba, Dr. Jose T. Baron, today extended for two years beyond June 30, 1943, the agreement under which the Government of the United States undertakes to sell gold to the Government of the Republic of Cuba. The agreement provides that payment may be made within one hundred and twenty days after delivery of the gold, provided that the unpaid-for amount of gold shall not at any time exceed \$5,000,000.

The agreement which was extended today evidences the close cooperation that exists between the Treasuries of the Republic of Cuba and the United States, and will enable the Cuban Treasury to carry out operations designed to stabilize the Cuban peso-United States dollar rate of exchange.

The agreement has been in operation since July, 1942, and has proved to be very effective.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, July 1, 1943.

Press Service
No. 37-33

The following joint statement is made by Secretary Morgenthau and by C. E. Alfaro, Ambassador of the Republic of Ecuador:

The Stabilization Agreement of 1942 between the United States and Ecuador, under which the United States Stabilization Fund undertakes to purchase Ecuadoran sucres to the amount of \$5 million for the purpose of stabilizing the United States dollar-Ecuadoran sucre rate, has been extended today for a period of one year beyond June 30, 1943. The Agreement also provides for periodic conferences among representatives of the two Treasuries.

The extension of the 1942 Agreement is in accord with the policy of the Ecuadoran and the United States Treasuries of maintaining the stability of the rate of exchange between the currencies of the two countries. In so doing, the foundation for stable economic and financial relations between Ecuador and the United States ~~is~~ maintained.

The extension of this Agreement was signed for Ecuador by Mr. C. E. Alfaro, Ambassador of the Republic of Ecuador.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, July 1, 1943.

Press Service
No. 37-34

The following joint statement is made by Secretary Morgenthau and by Thor Thors, Minister of Iceland:

The Stabilization Agreement of 1942 between the United States and Iceland, under which the United States Stabilization Fund undertakes to purchase Icelandic krona to the amount of \$2 million, for the purpose of stabilizing the United States dollar-Icelandic krona rate of exchange, has been extended today for a period of one year beyond June 30, 1943. The Agreement also provides for periodic conferences among representatives of the two countries.

The extension of the 1942 Agreement is in accord with the policy of the Icelandic Ministry of Finance and the United States Treasury of maintaining the stability of the rate of exchange between the currencies of the two countries. In so doing, the foundation for stable economic and financial relations between Iceland and the United States is maintained.

The extension of this Agreement was signed for Iceland by Mr. Thor Thors, Minister of Iceland.

-oOo-

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

JUL 1 1943

TO Secretary Morgenthau

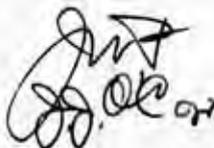
FROM J. J. O'Connell and J. W. Pehle

Dr. Mahun Goldman and Mr. James Wise of the American Jewish Congress called to discuss in a preliminary way a comprehensive plan involving primarily the evacuation of Jews from Rumania.

There are some indications that certain government officials in Rumania can be bribed, at a cost of approximately \$170,000, to permit the evacuation of almost 70,000 Jews from Rumania. These funds would be paid to the Rumanian officials in local currency by well-to-do Rumanian Jewish merchants who have been able to conceal their resources, who would be reimbursed either in dollars or Swiss francs to be held in trust for them until after the war. The entire operation would be directed from Switzerland by an agent of the World Jewish Congress who in turn would work through underground channels with prominent members of Jewish communities in Rumania.

The American Jewish Congress has already discussed the proposal in general terms with representatives of the State Department. The program involves extremely difficult implications which will need to be canvassed very carefully within the Treasury, and with other interested Government departments, particularly State. Reduced to concrete Treasury considerations, the program presents the basic question of whether we shall permit American funds to be used for the purpose of purchasing Rumanian currency from wealthy Rumanian merchants in order to facilitate the evacuation, even though the dollars would be blocked. The financial arrangements involved, particularly the ransom aspect, are very troublesome. Similarly, the extensive communication with enemy territory necessary to carry out the program is contrary to all existing policies in these matters.

The proposal is being studied and further information obtained and we will keep you advised of further developments.



TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

July 1, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended June 23, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Invt.
E M B

C
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P
YFEDERAL RESERVE BANK
OF NEW YORK

June 30, 1943

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

I am enclosing our compilation for the week ended June 23, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended _____

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (f)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (d)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	-
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 26	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	1.3	19.3	-	19.3	+ 2.9
Apr. 28 - June 2	79.9	-	79.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	- 1.7
WEEK ENDED:																
June 2	7.8	-	7.8	16.4	-	-	-	16.4	+ 8.8	3.8	3.0	0.8	0.4	-	0.4	- 3.0
9	7.6	-	7.6	35.8	-	-	-	35.8	+ 28.2	15.0	15.0	-	16.3	-	16.3	+ 0.3
16	17.3	-	17.3	18.6	-	-	-	14.6	- 2.7	4.0	4.0	-	0.1	-	0.1	- 3.9
23	9.0(e)	-	9.0	10.3(e)	-	-	-	10.3(f)	+ 1.3	-	-	-	0.3	-	0.3	+ 0.3

Average Weekly Expenditures

First year of war 6.2 million.
 Second year of war 8.9 million.
 Third year of war 10.1 million.
 Fourth year of war (through June 26, 1943) 8.8 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 8, 1941.
 (c) For monthly breakdown see tabulations prior to October 12, 1942.
 (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (e) Does not reflect transactions in short term U. S. securities.
 (f) Includes \$ 8.8 million deposited by War Supplies, Ltd. & \$1.3 million received from N. Y. accounts of Canadian chartered Bk.

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended June 23, 1941

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)							BANK OF FRANCE					
	D E B I T S				C R E D I T S			Net Incr (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)		
	Total Debits (a)	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)					Transfers from Offi- cial Aus- tralian Account	Other Credits (c)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1
1942													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	51.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	20.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1943													
Dec. 31 - Feb. 3	168.6	20.4	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	130.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-
WEEK ENDED:													
June 2	5.0	2.4	-	2.6	12.3	-	-	3.0	9.3	+ 7.3	-	-	-
9	12.4	3.0	-	9.4	41.2	-	-	15.0	26.2	+ 28.8	-	-	-
16	6.7	3.2	-	3.5	32.0	-	-	4.0	28.0	+ 25.3	-	-	-
23	5.4	1.9	-	4.0	38.3(j)	-	-	-	38.3(k)	+ 32.4	-	-	-

See attached sheet for footnotes.

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

England (through June 19, 1940) \$27.6 million
England (June 20, 1940 to March 12, 1941) \$54.9 million
England (since March 12, 1941) \$22.3 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 25, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes: \$19.4 million apparently representing current & accumulated dollar proceeds of sterling area services & merchandise exports
\$3.0 million transferred from Reserve Bank of New Zealand account at this bank

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

July 1, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

Controversial Issues before Congress today is still story of appropriation bills, several of which managed to get in under the fiscal year deadline last night. The majority, however, are now tied up in conference so tightly that chances for a Congressional recess this Saturday are rapidly fading. Two bills which managed to jump the Congressional hurdles are:

1. Commodity Credit Corporation Extension Bill - Although passed overwhelmingly by both houses of Congress, a Presidential veto is predicted for this measure because of its stringent anti-subsidy rider upsetting the Administration's whole price rollback program.
2. War Department Appropriation Bill - Despite charges of extravagance and waste from various Senators, small differences in this bill were easily ironed out by joint conferees and the measure headed for the White House where it is expected to receive early approval.

Most of the major appropriation bills before Congress, however, were sent to conference with differences between the two houses seemingly irreconcilable. Among these stalemated measures are:

1. War Agencies Bill - House conferees are not expected to accept Senate changes made in this measure yesterday, granting the full amount requested for OPA, and funds for a modified domestic program for OWI, although regional offices were sharply cut. Another highly controversial amendment sponsored by Senator McKellar would exclude payment of salaries to any employee of the 16 Federal agencies included in the bill, earning more than \$4,500 and not appointed by the President and approved by the Senate. This is similar, of course, to the McKellar Bill previously passed by the Senate and sent to the House, applying the same regulations to all Federal employees.

2. Urgent Deficiency Bill - The President's Emergency Funds and overtime pay for most Federal employees are being held up in this bill because the Senate refuses to bow to an equally determined House on the House amendment banning use of the bill's funds for payment of the salaries of Goodwin B. Watson and William E. Dodd of the FCC and of Robert Morris Lovett of the Interior Department, all three accused of subversive activities by the House Kerr Committee, frequently charged with prejudice.
3. Agriculture Appropriation Bill - This measure headed back to the conference room yesterday with House refusal to recede from a provision abolishing the Federal Crop Insurance Program. The House did accept, however, a conference compromise permitting incentive payments for 1944 but barring further commitments.
4. Labor-Federal Security Bill - Only major difference in this measure is House insistence on the liquidation of the NYA, which the Senate voted some 48 million dollars. House conferees, however, agreed last night to take the measure back to their chamber for a record vote which Senate observers predict will accede to their provisions.

THE WHITE HOUSE
WASHINGTON

July 1, 1943.

Dear Mr. Secretary:

Some time back you made a speech in San Francisco in which you read a telegram you had received from Chiang Kai-shek which tended to attribute certain Japanese atrocities to retaliation for the Doolittle raid. I had not heard of this angle, so I checked with G-2. They in turn checked with their people in China, who replied that, so far as they knew, the atrocities were the usual concomitants of Japanese raids and were not linked in any particular way with Doolittle.

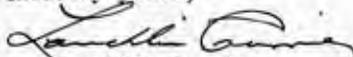
A few days later the Associated Press carried a story quoting a Father Yager to the effect that the Japanese had retaliated for the Doolittle raid by slaughtering thousands of Chinese. G-2 has just interviewed Father Yager and informs me as follows:

1. In answer to specific questions Father Yager stated that there is no specific evidence to connect the destruction and massacre in these towns with the fact that some of Doolittle's men were sheltered there, except that the Japanese did inquire of everyone in an attempt to get information regarding the American fliers.

2. Father Yager stated that his article as originally written did not indicate that the raid was carried out in an attempt to punish individuals for assisting the American fliers. He stated that he was sorry that the newspapers had exaggerated and misinterpreted his statements.

None of this is very important, but I thought you might like to be reassured that our raid did not cause the death or torture of thousands of innocent Chinese.

Sincerely yours,


Lauchlin Currie

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

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OFFICE
SECRETARY OF TREASURY
1. AIR OPERATIONS
WESTERN FRONT
ITALY
SICILY
BURMA
RUSSIA
OPTEL No. 210
AM 10 50
TREASURY DEPARTMENT
July
1943

Information received up to 7 A.M., 1st July, 1943.

1. AIR OPERATIONS

WESTERN FRONT. 30th. Fighters damaged 22 locomotives in Northern FRANCE and BELGIUM.

ITALY. 28th/29th. Heavy bombers dropped 16 tons on REGGIO.

SICILY. 27th/28th, and the following night, Wellingtons dropped a total of 121 tons on MESSINA. On 29th, 31 escorted Spitfires bombed COMISO airfield.

BURMA. 28th. Our medium bombers dropped 9 tons on objectives at SAGAING near MANDALAY and 9 tons on railway yards at PYINAWANA, 200 miles North of RANGOON.

29th. 12 bombers successfully attacked Japanese water transport in the AKYAB and RAJREE areas.

RUSSIA. 28th/29th. Russian bombers effectively attacked railway junctions at OREL and KARACHEV.

OPTEL NO. 210.

SUBMARINE WARFARE. Corrupt Section.

"without loss. Week ending 23rd in all theatres, 29 attacks on U-boats of which 19 by aircraft. Of four promising attacks one was by H.M. Submarines, 2 by U.S. Aircraft and one by R.A.F. Aircraft. Coastal Command flew 256 Scurties on Anti-submarine operations, made 27 sightings and 10 attacks. One of H.M. Sloops and ships of 2nd Support Group sank 2 Submarines on 24th in BAY OF BISCAY. 15 survivors seen in the sea....."

July 2, 1943
9:27 a.m.

Breckin-
ridge Long: Henry?

HMJr: Yes, Breck.

L: How are you?

HMJr: I'm all right.

L: Henry, Mr. Hull is writing you a letter and it was thought that I might call you up and tell you - and talk to you a minute about it.

HMJr: Yeah.

L: It - under the President's general orders we're organizing several committees over here for post-war study....

HMJr: Yeah.

L:and some of them will affect the Treasury Department. In this particular one - the shipping - post-war study on shipping....

HMJr: Yeah.

L:does affect it and I - we've - it's under the jurisdiction of Gaston....

HMJr: Yeah.

L:and concerns the customs and one thing and another, and various other angles of the Treasury's interest....

HMJr: Yeah.

L:and the suggestion is being made that you would designate Gaston to serve on that Committee to represent your interests.

HMJr: I see.

L: Would that be all right with you?

HMJr: I don't know. I'd have to find out more about it.

L: Well - uh -

HMJr: I mean, I think that I ought to be allowed to pick my own people if I'm going to be represented.

L: Why, of course. The only thing is that they made me chairman of this committee and I've been associated with Gaston....

HMJr: Yeah.

L:on some other work, see, for several - some years now, as you know....

HMJr: Yeah.

L:and the thought just occurred that he was - of course anybody you want to name, of course, it's only a....

HMJr: Well, it may be all right, but I'd like to look at it and talk to some of my people....

L: Yeah.

HMJr:and find out and talk with Gaston.

L: Yeah. Would you prefer that Gaston's name be not mentioned in the letter?

HMJr: Oh, I don't care.

L: Because we can easily do it that way if you prefer.

HMJr: Well, I think it's just - uh - it would be courteous to let me pick my own person.

L: Why, of course. Well, all right, we'll

HMJr: But it may end up by being Gaston....

L: All right.

HMJr:but you people do your things your own way over there - but - uh - let - I don't know what it's all about. Let me read the letter and let me make some inquiries.

L: Yeah. All right. We'll - I just - we won't mention Gaston then - we'll just - I chatted with Gaston the other day about it - uh - as to whether or not it would be possible for the Treasury - for him to ser- to...

- 3 -

HMJr: The chances are it may be but it would be easier for me if a letter came over and I talked with Bell and some of the other people and had a look at it.

L: Yeah. All right we'll do it that way then.

HMJr: Thank you.

L: I'll cut him out.

HMJr: Thank you.

L: Thank you.

July 2, 1943
9:38 a.m.

HMJr: Hello.

Robert Lovett: Good morning, Mr. Secretary. This is Bob Lovett.

HMJr: How are you?

L: I'm fine, sir. Thank you. How are you?

HMJr: I'm all right. Look. Two things. I know you've made a trip and I'd love to hear about it....

L: Yes, sir.

HMJr: ...as much as you feel that you can tell me. And, also, I'd like to have the - your air people show me again what I saw a couple of months ago.

L: Yes, sir.

HMJr: Do you remember?

L: Yes.

HMJr: Now, how can I do the two things - see you and come over there in your - I think you call it your "air room" or - I don't know what you call it....

L: Yes, the "air room". Well, perhaps we could combine the two if you would come to lunch - we could have this put on right after.

HMJr: Uh - that's like inviting myself to lunch, but - well, what could be better?

L: Oh, no, that's fine. You come along, sir. Now I'll have to check and find out whether there's any scheduled meeting in the "air room"....

HMJr: Oh, I couldn't do it today.

L: Well, I mean, let's say the start of next week...

HMJr: Well, could - - - Hello?

(Remainder of conversation not recorded.)

July 2, 1943.
9:52 a.m.

82

Thomas
Farran:

Hello, Mr. Secretary. How are you?

HMJr:

Fine. How are you, Tom?

P:

Fine, Henry.

HMJr:

Are you so situated that you can talk a minute or two?

P:

Yes, indeed.

HMJr:

I was visiting with Mr. Stimson last night and I brought up the question of the five-day drip cure for syphilis....

P:

Yes.

HMJr:

....and I was telling him that Dr. Hyman was our family doctor and that I was interested in it, and he said that you had been to see him a couple of days ago and he had sort of given you a carte blanche to go ahead.

P:

Yes.

HMJr:

Now, what I was interested in is - could - I know about the Research Council having approved this within the last two weeks, but how much - to whom are they going to give this treatment? I mean, if you could just tell me - how far they've gone.

P:

Well, first, they will give it to the selectees - uh - just being inducted, who have syphilis.

HMJr:

Oh, is that right?

P:

Yes. Well, that is the group to whom it would be most appropriate that they give the treatment.

HMJr:

Well....

P:

At the present time, they are giving a longer treatment. Following my talk with Stimson....

HMJr:

Yes.

P:

....we agreed that Kirk and I would get together....

HMJr:

Yeah.

- 2 -

P:and work out a program....

HMJr: I see.

P:and our people are working together right now....

HMJr: Yes.

P:meeting today....

HMJr: Yes.

P:people from the Army and Public Health....

HMJr: Yes.

P:to begin to draw up a program....

HMJr: I see.

P:which will have for its objective first, to catch up with this back-log of selectees with syphilis - back-log accumulated in the year and a half or so before the Army would take any of them.

HMJr: Yes.

P: And the objective is to try to speed up the induction of the syphilitics and also to speed up our work with those not - who are, otherwise, not eligible for Army service.

HMJr: Uh - and that will be the five-day drip?

P: We haven't gone far enough to know which of these several rapid methods of treatment may be the best.

HMJr: I see.

P: Even the one-day combination of heat and arsenic seems to be very promising.

HMJr: I see.

P: And there's another ten-day multiple injection that also looks promising.

HMJr: I see.

P: Then, finally, a six weeks' period. We're running tests on each of them. It will be a few months

- 3 -

P: (Cont'd) before we will know the relative danger and the relative efficacy of them.

HMJr: Well, Stimson said if I'd call him today to remind him, he'd send for his Surgeon General, General What's-his-name?

P: Kirk.

HMJr: Kirk?

P: Right.

HMJr: And to find out just what progress they were making....

P: I think that's a very good idea.

HMJr:and he said if I'd call him up to remind him, he'd do it.

P: Very good.

HMJr: Now, would it be asking too much, after you've got a program-what you're going to do - would - to drop over and maybe have lunch and we'd go over it together?

P: I'd be delighted to do that, Henry.

HMJr: Because, I'm quite interested in it.

P: I shall be delighted to do it....

HMJr: Well, would....

P:a week or ten days before we get our plans worked out.

HMJr: Well, when you're ready, would you give me a ring?

P: I certainly shall.

HMJr: And, I'm going to call Stimson now to remind him to send for Kirk on this subject.

P: All right.

HMJr: Evidently something has happened and Stimson seems interested now.

P: The President was much interested when I talked with him about two weeks ago....

- 4 -

HMJr: He was?

P: And he asked me to see Stimson.

HMJr: I see.

P: He really initiated it.

HMJr: Well, it came up in Cabinet....

P: Yes.

HMJr:and that's - and nobody really seemed to know much about it - I think that they ought to be educated.

P: Very good.

HMJr: Well....

P: We can count on you to help do that.

HMJr: I'd be glad to.

P: All right, Henry.

HMJr: Then I'll hear from you in a week or ten days?

P: You certainly will.

HMJr: Thank you.

P: Thanks, very much.

July 2, 1943
10:04 a.m.

Lt. Col.
Wright: Hello.

HMJr: Colonel Wright?

W: Yes, sir.

HMJr: This is Mr. Morgenthau.

W: Yes, sir.

HMJr: Last night I was visiting with Mr. Stimson....

W: Yes, sir.

HMJr:and I said I'd call up to remind him to send for Surgeon General Kirk....

W: Yes, sir.

HMJr:to talk to him and find out what progress he made in his talks with Dr. Parran....

W: Yes, sir.

HMJr:on these various methods for treatment of syphilis.

W: Yes, sir. Well, I think the Secretary is seeing the - General Kirk now because he's in his office.

HMJr: Well, then....

W: I'll remind him to take up the Parran syphilis thing.

HMJr: That's - he may have remembered it himself, but he asked me to remind - maybe he's - but that's what he wanted....

W: I see.

HMJr: Kirk and Parran have been together and they are working out a program....

W: Yes, sir.

HMJr:and Mr. Stimson said he would....

W: Well, thank you very much for calling, Mr. Secretary, and I'll remind Mr. Stimson of it right away.

- 2 -

HMJr: They're in there now?
W: Yes, sir, they are.
HMJr: You go in.
W: Yes, sir, I shall.
HMJr: Thank you.
W: All right, sir.
HMJr: 'Bye.
W: 'Bye.

July 2, 1943
10:29 a.m.

Operator: Go ahead.

HMJr: Hello.

Sam
Rayburn: Henry?

HMJr: Yes, Sam.

R: Uh - there is an order that's come out....

HMJr: Yeah.

R:uh - it has to do with this T.F.R. 500....

HMJr: Yeah.

R:that's with reference to - I'm sure you remember....

HMJr: I know - foreign investments.

R: Yeah. Now, I don't hear any kick about it especially,
but we're trying to get away from here....

HMJr: Yeah.

R:until about the thirteenth of September....

HMJr: Yeah.

R:and I see the dead line on this ~~thing~~ thing is August
the thirty-first.

HMJr: Yeah.

R: Well, now if we get away from here, our constituents
will be clawing us to pieces, uh - while we're away and
writing in here and we'll be lost 'n everything like
that. Some of the boys suggested that - that it would
be much better....

HMJr: Yeah.

R:for them if that dead line was moved forward a
little.

HMJr: How much?

R: Well, (Talks aside: "Charlie, what would you think....?")

R:
(cont'd) Well, November the first or thirtieth - something like that - give the fellows a couple of months to come back here and work at it.

HMJr: Well, what would you like - November first?

R: I think November first would be all right. Uh - that's about six weeks after we get back here.

HMJr: Sold to American Tobacco!

R: (Laughs) Henry, thank you.

HMJr: How's that?

R: That's fine.

HMJr: Is that quick enough?

R: You bet.

HMJr: Is that all right?

R: Yeah.

HMJr: What?

R: That's quick enough.

HMJr: Look. It's postponed until November first.

R: All right. Fine.

HMJr: Anything else?

R: That's all, Henry.

HMJr: Wonderful.

R: Thanks.

July 2, 1943
2:02 p.m.

90

HMJr: Roy.

Roy
Blough: Yes, Mr. Secretary.

HMJr: Two things. I may want you to come up to New York Monday and sort of be in - around when I have a chance - when I can't see Mrs. Morgenthau - to talk with me, you see?

B: All right.

HMJr: Would that interfere with your plans?

B: No, not at all.

HMJr: Well, then I'll tell you - supposing you're available at the hospital there - Doctors Hospital - Mrs. McHugh can tell you how to get there. She's an expert.

B: All right.

HMJr: And....

B: Monday morning?

HMJr: About ten o'clock.

B: Ten o'clock, Monday morning.

HMJr: Come armed with the stuff, will you?

B: All right, I'll have everything.

HMJr: Now, here's the thing that I got which is maybe absolutely cock-eyed but I want you to think about it.

B: All right.

HMJr: These plants- after the war - the very earliest any of them could get to working would be six months.

B: A lot of them - that's true.

HMJr: What?

B: That's true for those doing war materials.

HMJr: I want to go back to the idea of the dismissal wage - and - but with a new wrinkle - you know we worked on that once before.

B: Yes.

HMJr: The wrinkle being - oh, msybe - let's take 25% of the increased wages that a man or woman has gotten - uh - over some base period....

B: Uh huh.

HMJr:and put that in - a dismissal wage until they have accumulated - uh - well, let's say twelve months at whatever would be a reasonable price. See?

B: Uh huh.

HMJr: And give them non-interest bearing certificates for it.

B: Yes.

HMJr: You know I've been after you fellows and you've never come through with a plan to tax the man who gets the increased wages. You see, you all say it can't be done.

B: Well, we have some plans....

HMJr: What?

B: We have some plans....

HMJr: Well, by God, you haven't shown them to me. All you fellows can think of is compulsory savings.

B: (Laughs)

HMJr: You've just got one-track minds.

B: (Continues to laugh)

HMJr: That little squib in the Wall Street Journal-it said there are only three people in Washington who were still for the volunteer plan: Mr. Roosevelt, Mrs. Roosevelt and Mr. Morgenthau - everybody else in Washington is for the compulsory.

B: Well, I don't believe that.

HMJr: Well, anyway. I am thinking of the dismissal wage to these fellows enough to give them - say - twelve months....

B: Yeah.

- 3 -

HMJr:at - oh, some reasonable figure per week....

B: Uh huh.

HMJr:with non-interest bearing certificates, taking all the increase - the top - if you started with just the overtime....

B: Yes.

HMJr:if you started with just taking the overtime to put in the dismissal wage....

B: Uh - did you see - uh - there's an article in the New Republic....

HMJr: Yeah.

B:this last week on that.

HMJr: No, I didn't see the New Republic.

B: It's a - it's a growing idea and I think you really have something, Mr. Secretary.

HMJr: Well, it's entirely original with me - uh - and it comes to me that - thinking about - I'm beginning to realize how many people will be out of work the day we sign the Armistice.

B: Right.

HMJr: Now, we'll have chaos - now - if we could think up some good dismissal wage - maybe start with the overtime....

B: Yes.

HMJr:and establish that - then, maybe, go a little bit further. Now that would bank an awful lot on savings.

B: A great deal - it certainly would.

HMJr: And it sounds a great deal better to me.

B: Let me have something for you on that by Monday - if you'll give me that much time.

HMJr: Yeah. I - I won't talk to you before Monday.

- 4 -

B: All right.

HMJr: And, as I say, Mrs. McHugh can tell you where the hospital is and you show up there about ten o'clock and just wait for me.

B: I'll be there at ten o'clock Monday morning.

HMJr: Do you like this idea?

B: I do. We've been giving some thought to dismissal compensation. I think this has excellent possibilities.

HMJr: Well, I'm glad that you think - now, I got it last night walking home with Kades and I was trying to explain to him what I want him to do and I thought of this.

B: Yes.

HMJr: He doesn't get credit for this idea. I do. He's sitting here.

B: (Laughs)

HMJr: You're not on the loud speaker though.

B: (Continues to laugh.)

HMJr: You're not on the loud speaker.

B: All right.

HMJr: All right. He's getting - he had lunch with Marvin Jones and Marvin Jones told him he was a great guy and I'm afraid he's going to outgrow his uniform.

B: (Laughs)

HMJr: All right.

B: Thank you, Mr. Secretary. I'll have the stuff.

July 2, 1943

My dear Mr. President:

I thought this little squib
from the Wall Street Journal would
amuse you. I love the company they
put me in.

Sincerely yours,

(Signed) Henry

The President,

The White House.

File in Diary.

*Sent over by Secret Service
Agent at 2:40 7/2/43.*

THE WALL STREET JOURNAL

JUL 2 1943

Washington Wire

A Special Weekly Report from
The Wall Street Journal's
Capital Bureau

National Press Building
Washington, D. C.

PEACE PRODUCTION report on tapering off munitions-making has hit Nelson's desk.

Fat (40-odd pages) and limited in circulation (100 copies), it foretells W.P.B.'s role on "D" (demobilization) Day. Significance: W.P.B. will become P.P.B., outlast the war.

Author is Ernest Kanzler, a Nelson confidant. He figures the switch from all-out war production will be in two stages: The first beginning when Hitler's whipped; the second, when the Pacific war ends.

Army-Navy chiefs warn it's too soon to think of slackening war production. But both services are starting post-war studies of their own. S.E.C. also is horning in with a study of post-war industry reserves.

ROOSEVELT'S TROUBLES on the home front are bigger than he seems to think.

He still pays scant attention to domestic matters, exasperating his advisers and close associates. He has blown hot and cold on the forced savings issue. He showed interest in partitioning O.P.A., then promptly forgot it. He knew Wallace was going to blast Jesse Jones, but made no effort to stop it.

There's some suspicion he keeps his hands off issues at home, with '44 elections in mind. If his war record is good, he can rest on those laurels, and let the blame for home front fumbling fall on Byrnes & Co.

The President looks as well as ever. But he's in a testy mood, his callers in recent weeks report.

ANOTHER SLASH for civilian food will usher in 1944.

Estimates for the first half of the year are about to be announced. They'll show a smaller civilian share on several foods, chiefly those to be shipped abroad: Canned goods, meat, dairy products.

Blame the drop on: (1) The gloomy June 1 crop report. (2) a hike in Government needs.

Feeding Europe will dip into U. S. larder. European needs are called "unlimited," but officials will draw the line, gradually stretch it. Invasion troops will take 50% more than they need on home soil.

WHAT IS SECRET? British and U. S. officials don't agree on terminology. A Washington report marked "secret" is the equivalent of a London stamp "most secret." The British label a document "secret" when Americans call the same one "confidential." But U. S. "restricted" equals U. K. "confidential." For reports interchanged by the two governments, both U. S.-British terms are used.

DRAFT UNCERTAINTY—Which is common enough—was increased recently by stories saying fathers might not be called at all. Officials say that's wrong. We've been told again the armed forces have not lowered their manpower goal (10.5 million). Induction of fathers is being delayed as long as possible. But they shouldn't think Uncle Sam has forgotten them.

FORCED SAVINGS have only three important foes: Mr. Roosevelt, Mrs. Roosevelt and Mr. Morgenthau. Most everyone else in Washington is ready to toast overboard the voluntary war bond drive and put savings on a compulsory basis. If the Administration gave the nod, a forced savings bill would whiz through Congress.

W.P.B. WHIMSY—A maker of turkey liver sandwich spread asked W.P.B. for materials, praised it for its kind treatment. Nelson sent his "thank you" note to all subordinates. A rubber company received a peevish letter from the W.P.B. complaining about the small output of squeegees (rubber-edged window cleaners), replied tartly, "we too look forward to the day when we can produce more and better squeegees."

RAILROADS THREATEN to bypass O.D.T. and W.P.B. on requests for new rolling stock. Their plan: Tell the Army-Navy what they need, let them include rail requirements in their munitions programs.

WAR STRATEGY has Congressmen confused. One military committeeman feels sure the European war will end this November. Another pooh-poohs a major offensive against Hitler this year. All admit they have lost touch with generals and admirals. But all through Washington suspicions grow that the second front is not due until next year.

A MERRIER XMAS for civilians soon will be promised.

Two weeks ago we said the crimp in general living standards would be pretty deep by Christmas. Now we learn the Office of Civilian Requirements plans a relief program—due for unveiling in a fortnight.

Getting steel and other critical materials will be tough. There's no hope of breaking into third quarter materials schedules. So O.C.R. sets its sights for the final 1943 quarter.

Expect some surprises on the list of goods to be made. Some "important" household equipment, also some "irritating" items, like hair pins.

Memorandum of a Meeting
in Secretary Morgenthau's Office
July 2, 1943

Present: Secretary Morgenthau
Mr. White

Greek Ambassador
Mr. Varvaressos

Mr. Varvaressos called on the Secretary with the Greek Ambassador at the Ambassador's request. The Greek Ambassador thanked the Secretary for all that he had done in helping Greece get dollar assistance for relief which they were now obtaining. Mr. Varvaressos said that he was here to discuss the International Stabilization Fund proposal which he found extremely interesting, and that he felt that some proposal of that character was much needed during the post-war period. Mr. Varvaressos said that he was submitting a memorandum in response to Secretary Morgenthau's letter on the monetary and price situation in Greece.

The Ambassador stated that he did not want to take up much of the Secretary's time but that he wanted him to meet Mr. Varvaressos and wanted him to know how much his government appreciated the assistance which the Secretary had granted.

JUL 2 - 1943

Excellency:

This is to thank you for your letter of June 18, 1943, referring to Belgian franc notes which have been deposited with the Bank of England.

I shall be glad to receive from you the memorandum embodying the ideas of your Government on the question of rates of exchange on Belgian currency, which you state you will send to me from London.

Very truly yours,

(Signed) H. Mergenthal, Jr.
Secretary of the Treasury.

His Excellency, Camille Gutt,
The Minister of Finance,
Kingdom of Belgium,
c/o Belgian Embassy,
London, England.

Orig. incoming ret. to
Dr. White. Photo of incoming
and copy in Diary.

Sent to the Belgian Emb.,
Wash., D.C., for transmittal
via Diplo. pouch.
By Messenger Sturgis 4:30p.m.
7/2/43

ROYAUME DE BELGIQUE

Washington, June 18, 1943

Dear Mr. Secretary:

I am very sorry to have to leave the United States without having had the pleasure of meeting you and discussing with you in person various problems of mutual interest.

I fully realize how difficult and complicated life can be particularly when personal preoccupations place additional strain on the official burden of responsibilities already on your shoulders.

I had the opportunity to discuss certain matters with Mr. Bell and Mr. Harry White, and shall forward to you shortly from London a memorandum embodying the ideas of my government on the question of fixing the rate of exchange of Belgian currency.

Confirming my conversations with Mr. Bell, I wish to advise you of the fact that my government has deposited with the Bank of England, in agreement with the British Treasury, for use in Belgium by any expeditionary force (British or American), an amount of 750 million Belgian francs in notes. The object of this is to make available to the military authorities upon landing the amount of Belgian currency required for their expenses.

I plan to return to Washington in August to participate in the work of the conference which will be held to examine the Relief and Rehabilitation Draft Proposal that has been submitted by the State Department to the various governments. I hope at that time to have the pleasure of seeing you.

Believe me, dear Mr. Secretary,

Yours very sincerely,

The Belgian Minister of Finance:

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



July 2, 1943

Harry White

Secretary Morgenthau

I was amazed to learn last night from General Greenbaum that you had furnished him with a memorandum on conversion of plants at the end of the war. I have been working on this myself for some couple of weeks and through Haas' shop, also with Donald Nelson. Please speak to me about this today, and let me know how come.

White speaks to Haas 9/8/43 -

July 2, 1948

Mr. Paul

Secretary Morgenthau

I wonder whether there is some way of your indicating which memos you send me come directly from you and which are from Kades. Perhaps you could have Kades write the memos to you and then you could forward them with a little covering memorandum to me.

Will do. See State Affairs - 7/8/48.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

July 2, 1943.

TO Secretary Morgenthau
FROM Mr. O'Connell

Even though the authority of the Commodity Credit Corporation as an agency of the United States should terminate as of June 30, 1943, the purchase and sale operations and price support measures of the character carried out by that Corporation could continue to be carried out with substantially the same effect by RFC's Defense Supplies Corporation operating under the direction of the Economic Stabilization Director.

Section 2(e) of the Emergency Price Control Act of 1942, approved January 30, 1942 (Public Law No. 421, 77th Congress), authorizes the Secretary of Commerce, with the approval of the President with respect to commodities defined as strategic and critical materials by the President, to buy, sell, store or use such commodities, and to make subsidy payments to domestic producers thereof, when it is determined to be necessary to do so in order to obtain the maximum necessary production. Sales of agricultural commodities under this authority would have to be made within the limitations of price ceilings imposed by the Act, as amended, i.e., at not less than parity price or the highest price between January 1, 1942--September 15, 1942, whichever is higher. Section 2(f) of the Emergency Price Control Act of 1942, as amended by the Act of October 2, 1942 (Public Law No. 729, 77th Congress.).

Defense Supplies Corporation has authority to carry on such operations under section 5(d) of the Reconstruction Finance Corporation Act, which confers authority upon such corporation "to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President". See Opinion of the Attorney General dated October 27, 1942, to the Secretary of Commerce.

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The term "strategic and critical materials" may include agricultural commodities. Meat and butter were thus defined for the purpose of carrying out the price roll-back program, under which subsidy payments are now made by the Reconstruction Finance Corporation pursuant to the authority described above.

Executive Order 9250 of October 3, 1942, authorizes the Economic Stabilization Director to direct that the Reconstruction Finance Corporation use its authority to purchase, sell or subsidize commodities. See section 2 of title V.

Under existing law Commodity Credit Corporation is required to support prices of agricultural commodities at 90 per cent of parity price. As to basic commodities, it is required to make available nonrecourse loans at the prescribed rates; and it is required to support the price of nonbasic agricultural commodities at the prescribed level by loan, purchase or other operation whenever the Secretary of Agriculture finds it necessary to encourage the expansion of production. It is doubtful that the method of nonrecourse loans could be utilized by Reconstruction Finance Corporation. It should be possible, however, to realize the same practical effect by purchase commitments at prescribed price levels or by subsidy payments.

Joseph P. Connell

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

July 2, 1943

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until the READING of the President's Message has begun in the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

TO THE HOUSE OF REPRESENTATIVES:

H. R. 2869, to continue the Commodity Credit Corporation as an agency of the United States, is before me. This measure will become law only over my strenuous objection and protest.

The Congress is aware of my deep interest in the Commodity Credit Corporation. It was created by me under Executive Order issued October 16, 1933 to meet a grave and critical emergency. It has proved to be useful not only in an emergency, but under other conditions. It has an essential function to perform in our war food production program. It should and must be continued.

But this is not a bill to continue the Commodity Credit Corporation. It is a bill to hamstring the Commodity Credit Corporation. It places new and unwarranted restrictions on the use of its funds and on the powers heretofore given to the Administration to stabilize the cost of living. These restrictions would prevent our giving to farmers the assistance they need in carrying out our new food production programs, so essential to feed our citizens and our soldiers. They would make it impossible for us to stop the rising cost of living.

As the measure now stands, this is an inflation bill, a high-cost-of-living bill, a food shortage bill.

There is, for instance, a provision in section 6(a) which prohibits the establishment of a maximum price for any raw or processed agricultural commodity which will reflect to the producers thereof a price less than the support price heretofore or hereafter announced by the War Food Administrator, or less than the higher of the maximum prices provided in section 3 of the Act of October 2, 1942.

I have tried to analyze this section and to translate it into common sense English. Frankly I do not know what it means.

If the provision merely means that if the support price is higher than the maximum price established under the Act of October 2, 1942, the commodity must be purchased from the producer at the support price or the farmer must be paid the difference between the support price and the maximum price, the provision would serve no purpose. That is now, as I understand it, the law.

If on the other hand, despite language which looks the other way, the provision were construed to mean that the maximum price must be fixed so as to yield to the producer the support price without the payment of any subsidy, the provision would require the immediate upward adjustments in the ceiling prices for many basic food products. Prices for dry edible beans, cheese, canned vegetables, sugar, and, in some markets, fluid milk would immediately go up because the support prices for these products are higher than their present ceiling prices.

If the provision were so construed, it would not only immediately increase the cost of living but it would make it impossible for us to adopt support programs needed to increase production without causing a still further rise in the cost of living. Undoubtedly if we must in each case weigh the advantages of a support program against the disadvantages of an increase in the cost of living, many support programs which might otherwise be adopted will be rejected, and other support programs, although finally adopted, will inevitably be delayed.

Regraded Unclassified

Section 6(b) of the bill prohibits, with specified exceptions, the making of any subsidy or other payment other than those which have accrued prior to August 1, 1943, if such a payment is designed either (1) to reduce or roll back maximum and support prices or (2) as a substitute for increasing maximum prices or support prices, unless such payments are specifically authorized by the Congress. The specified exceptions are rigidly limited. Subsidies or other payments can be made until the end of the current crop year on any agricultural commodity other than milk or livestock if, prior to June 15, 1943, the government was committed to make them. Wheat can be sold for feeding purposes at not less than the parity price for corn. Maximum and support prices on domestic fats and oils and oil seeds can be adjusted as necessary to assure adequate production.

Section 7 seeks to subject to the War Food Administration's control all the powers given under section 2(e) of the Emergency Price Control Act in respect to the purchase, sale, storage and use of foods. I am sure that the War Food Administration is amply capable of handling such a task. But even its hands are shackled by the imposition of rigid restrictions which were included neither in the original Price Control Act nor in the Act of October 8, 1942.

Section 7 provides that purchases can be made only at prices which reflect to the farmer not less than the maximum price provided in the Act of October 8, 1942, or the announced support price, whichever is the higher. No purchases can be made for the purpose of reducing any maximum price. No purchases can be made for the purpose of resale at a loss unless made under a program announced prior to July 1, 1943. Even under pre-existing commitments, the government is not authorized to make purchases which will involve losses in excess of \$150,000,000. It apparently prohibits any purchase and sale program involving any loss for the 1944 crop. Commodities purchased are not to be sold for less than the maximum price limitations provided in the Act of October 8, 1942 or contrary to section 2(f) of the Price Control Act. It is far from clear that this last restriction does not nullify the exception in section 6 permitting wheat to be sold for feed at the corn parity price.

It is not clear whether the restrictions in Sections 6 and 7 are cumulative or whether the Congress wished to draw a distinction between direct subsidies and trading losses resulting from the purchase and resale of foods.

Reputable lawyers could, I am advised, argue that section 6 completely nullifies section 7. If I should agree, then the bill would be even more inflationary. If I should take the contrary view, I may be sure that I will be accused of misconstruing the law.

"Any other serious complications and difficulties in administering and constraining the bill have been brought to my attention. But if I attempted to deal with all of them here my message would become as complicated and confused as the language of the bill itself.

When farm prices were low, in time of peace, no one in either branch of government ever suggested that the Commodity Credit Corporation should be forbidden to take losses in its operations. Now, in the critical emergency of war, it is proposed to tie the Corporation's hands in ways undreamed of in less strenuous days.

No matter how this measure is interpreted, it will have a devastating effect upon our economy and our war effort about which I believe the Congress and the American people ought clearly to be warned.

1. This bill blacks out the program to reduce the cost of living. In other words, it completely outlaws the recent reductions in the price of meat and butter which we instituted in order to help get the cost of living back down from the height to which it has risen in recent months.

By this measure, the Congress will compel every housewife to pay 5¢ a pound more for every piece of butter that goes on her table, and to pay higher prices for every pork chop, every ounce of beef, every slice of ham or bacon which goes to feed her family.

2. This measure will make it virtually impossible to institute any additional measures to reduce the cost of living or even to hold the line.

- 3 -

3. The bill denies to the executive any power to purchase farm products for resale at a loss or to make incentive payments to obtain increased production of foodstuffs without the approval of the Congress. I do not believe that the Congress has had an opportunity to know or to consider how seriously it may cripple our entire food program.

It is proper for the Congress to set the limits within which our food programs must operate and the principles to which they must conform. But there is not time to submit each specific food program for Congressional approval. Crops will not wait for Congressional debate. To require specific approval of each specific program is in effect a prohibition.

In order to obtain a greater production of important war foods it may be necessary to establish special incentives for our farmers. We are asking our agricultural producers to change their farming methods and to grow new crops to which they are unaccustomed and which we need greatly in place of the old crops to which they are accustomed and which we may not need so greatly. It may often be difficult for the War Food Administrator to decide just how great an incentive is required for this purpose. This bill does not prevent the continued use of generous incentive payments to obtain strategic war materials other than food. Yet food is as important as any other strategic war material.

This measure, however, would mean that every additional dollar paid to the farmer to get the extra war crops we need to feed our soldiers abroad would reduce the purchasing power of the limited allowances of their wives and children at home.

Such a restrictive measure would serve only to set the soldier, the worker, and the unorganized consumer at war with the farmer.

The original price control act gave the government certain powers to regulate prices. In the summer of last year I informed the Congress that the Administration could not control the cost of living and prevent inflation unless it was given more adequate power to stabilize wages and food prices. Thereafter the Congress passed the Act of October 2, 1942, which authorized me to stabilize prices, wages and salaries affecting the cost of living so far as practicable on the basis of the levels which existed on September 15, 1942.

The measure now before me virtually nullifies the Act of October 2, 1942. This government cannot effectively stabilize the cost of living if it cannot stabilize the cost of necessary foods. As a matter of fact this measure even takes from the government powers which it was given under the first Price Control Act.

As the danger of inflation grows, the Congress would by this bill put new shackles on those whose duty it is to fight inflation. The fight against inflation cannot be won that way.

To get our economy to work I realize that we cannot rigidly freeze all prices or all wages. In some cases we must pay higher prices to producers to get the extra war production which we need because that extra production costs more to produce. We must likewise put more money in the worker's pay envelope when he works longer hours or when he does more skilled or efficient work, or when his pay is insufficient to keep him on a decent subsistence level. But with a well-balanced combination of measures we must keep wage rates and consumers' food prices from rising if we wish to hold down living costs.

Our wage stabilization program is and must be dependent on the stabilization of the cost of living. This is expressly recognized in the Act of October 2, 1942. The Little Steel formula was based on the fact that there had been a rise of approximately 15 percent in the cost of living between January, 1941 and May, 1942, for which rise workers could be compensated by wage increases.

The cost of living is now about 8 percent above the level of May, 1942, and about 6 percent above last September. There has been an increase in the average worker's weekly pay check since September. This increase has come primarily through longer hours and through the shift of workers into war industries from lower-paid civilian occupations, although increases in wage rates to correct inequities have played a part. But there are many workers who have enjoyed no increase in earnings.

It is too easy to act on the assumption that all consumers have surplus purchasing power; and that the high earnings of some workers in munitions plants are enjoyed by every worker's family. This easy assumption overlooks the 4,000,000 wage workers still earning less than 40¢ per hour, and millions of others whose incomes are almost as low. It ignores the fact that more than 4 million families have not had an increase of more than 5 percent in their income during the last eighteen months. It further ignores the millions of unskilled, white-collar workers -- the school teachers, the clergymen, the state, county and city officials, the policemen, the firemen, the clerks -- whose salaries have remained low, but whose living standards are being cruelly and inequitably slashed by higher food prices. It equally ignores others on fixed incomes -- the dependent mother of the soldier boy with her scant \$37 per month, the widow living off the proceeds of her husband's insurance policy, and the old age pensioner.

These millions are entitled to be protected against skyrocketing food costs. It is my duty to guard them against the ravages of inflation -- and I shall guard them unless the Congress shackles my hand.

These unorganized millions must not become the forgotten men and women of our war economy.

The plea has been urged on behalf of industrial workers that if the cost of living is not cut to September, or even to May, 1942, levels, wage rates should be raised to compensate. But to raise wages because living costs have risen will be at best only a temporary solution. Raising wage rates increases the cost of production, both of war goods and of the goods whose prices make up the cost of living. It also increases consumers' spending power. The combined effect of increased spending power and increased production cost is inevitably a further rise in the cost of living; and at the same time the money cost of the war increases. In short, to give people more money because prices are rising does not cure the evil, but makes it worse. This is precisely what is meant by the "inflationary spiral."

To prevent this spiral of rising costs and prices we must hold firm to the stabilization of wage rates. But to do this, we must assure workers that they can get a fair share of available goods on legitimate markets, and at prices "as far as practicable on the basis of the levels which existed on September 15", as prescribed by the Act of October 2.

Whatever theoretical choices may conceivably be open to us, practically we will have only two. We must keep the cost of living more nearly in line with the level proscribed in the law or we will not be able to hold the wage line or protect the millions of men and women living on low salaries and small fixed incomes. If wages rise, the cost of living will not stand where it is; it will go up and the inflationary spiral will gain strength.

I do not think that a reduction of all living costs or wage increases to the September level is practicable. We all must be prepared in total war to accept a substantial cut in our accustomed standards of living. But we must definitely stop the rising trend of living and push back the price of necessities of important key commodities in the family market basket.

When I talk of important key commodities I do not mean fur coats, or tailored suits or caviar. I mean the necessities of life, things like bread, milk, butter, sugar, coffee, ordinary meats, fats and canned foods, things that plain working folk must have. We must not only keep the price of these necessities down, but we must increase, when we can, the supply which helps relieve the pressures for higher prices and helps reduce the temptations of the black markets. With the improvement in the war against the submarines we may even be able soon to remove sugar and possibly later coffee from the ration list. But we cannot hope in a period of total war to increase the supply of all necessities sufficiently to relieve the price situation.

- 5 -

To reduce the price of key necessities or even to hold some of them at present levels, we either will have to reduce producers' prices and distributors' margins or we will have to use subsidies.

That does not mean that we can achieve stabilization by subsidies alone, without firm price and wage policies, adequate fiscal measures, and positive programs to assure that adequate supplies of essentials at legitimate prices will be available in the legitimate markets.

But the experience of other countries like Canada and England does demonstrate that limited subsidies can and must be effectively used as a key weapon to control inflation.

The alternative to such action would be more costly to the Treasury and to the people. If we do not take the course of action I have suggested, we shall be charged with having failed to stabilize the cost of living, as the Act of October 2, 1942, directed us to do, and there will be increasing demands from the workers of the nation for a drastic modification of the Little Steel formula.

If a 10 percent overall increase in wages should occur as a consequence of our failure to stabilize living costs, that added cost of labor alone would cause an increase of not less than 4 1/2 percent in the general level of prices. That would increase our annual war costs approximately 4 1/2 billion dollars. For we are spending 100 billions per annum for war and every rise of one percent in the prices the government pays, adds approximately one billion to the government's war expenditures. I say approximately because some of the expenditures would not automatically be increased. A 10 percent wage increase would, moreover, increase the cost of living by at least 4 1/2 percent and would cost consumers at least 4 billion dollars a year.

And, what is more, if we should have to abandon the hold-the-line order and to allow wages to rise we would have no assurance that we would be able to hold living costs stable even at a higher level. Rising costs would continue to press against the price and wage levels and these would be forced higher still. Rising wages would add to the excess purchasing power, and an enlarged inflationary gap would make the fiscal task of absorbing excess purchasing power by higher taxes and enforced savings unmanageable. Those with meagre wages and small fixed incomes would be ground below the margin of fair subsistence.

I need not tell the Congress the devastation which will be wrought, far and wide, on the farmer, the worker, and the business man, if the fires of inflation ever get out of control. The farmers will never forget the deflation following the last war and the sufferings they then endured.

To protect the farmer it is not necessary to oppress the consumer. The way to protect the farmer is to authorize the Commodity Credit Corporation to pay the farmer what he should get for his products and to sell those products at a loss if need be to keep the cost of living down. That may be a subsidy, but that is the only way to avoid inflation which will be ruinous to farmer and consumer alike. If we prohibit subsidies and allow the cost of living to rise, as this bill does, whatever support prices we make to the farmer will be nullified by the inflation of all prices and all costs.

I have just been informed that the preliminary figures indicate that between May 13 and June 15 there was a decrease of 1 percent in food prices. This is the first decline in the food price index in more than a year. This bill would wipe out that decline and start anew a rise in the cost of living. I cannot by signing it share the responsibility for that rise and its disastrous consequences.

Those in command of our war economy like those in command of our armies must be endowed with adequate authority to meet emergency situations as they arise.

- 8 -

Subsidies to help hold down living costs and at the same time protect the farmer should be applied only in strictly limited and clearly defined circumstances. Such subsidies should be confined to goods essential to the maintenance of a reasonable wartime standard of living for the people. Wherever the grant of subsidies at flat rates would involve gross windfall profits for low-cost producers, processors or distributors, they should be granted on a differential basis to cover the special burdens of small business and high-cost producers.

I do not intend to permit farm prices and farm incomes to be depressed. Today the aggregate net income of farmers like that of the workers is larger than ever before. As a result of my recommendation of September 7, 1942, that a floor be established for farm prices, Congress by the Act of October 2, 1942, guaranteed to farmers 90 percent of parity on most farm products during the war and for at least two crop years thereafter -- a guaranty given to no other group. If further payments to farmers are necessary to enable them to make the added outlays required to increase the production of war crops, those payments should and will be made.

But unless the Congress leaves with the Executive branch the means of seeing to it that further increases in producers' prices do not increase the cost of living, the Executive branch cannot accept responsibility for holding the wage line or for stopping the inflationary spiral.

If I am to hold the line, my hands must be left reasonably free to hold it even-handedly.

In this task of saving our free economy, Congress and the Executive must work together, as a team. H. R. 2869 marks a definite retreat from economic stability toward uncontrolled inflation. That retreat cannot be made with my approval.

I sincerely hope that if the Congress cannot agree before its recess on legislation which will remove the serious defects in this bill, it will pass a joint resolution continuing the life of the Commodity Credit Corporation and providing the increase in borrowing power until the Congress has time to agree upon an appropriate measure. The officials of the Executive departments will welcome an opportunity to furnish information and be of assistance.

I return the Bill without my signature.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

July 2, 1943.

JUL 2 - 1943

Dear Mr. LaRoche:

I want you to know that I wish you all success in your new drive to get "a war message in every ad."

We at the Treasury Department have seen at first hand what advertising can do. The cooperation of advertisers, advertising men and all branches of media have contributed greatly to the success of our two War Loan Drives, and we are counting upon it heavily in our Third War Loan Drive starting September 9.

The advertisers who have helped us and who will continue to help us have served their country well. If still more of them would make it a point to devote at least part of every ad to a war message, they will be performing a public service of first importance. I know that your Advertising Council will be able to convince them of this.

I want you to know how much we appreciate the unselfish war work of the War Advertising Council.

Sincerely yours,

(Signed) H. Mergenthau, Jr.

Mr. Chester J. LaRoche, Chairman,
The War Advertising Council,
16 East 42nd Street,
New York, New York.

JJL:MFS:gr
7-1-43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 1, 1943

TO Secretary Morgenthau
FROM Mr. Smith *FS*

The OWI asked John Louis for a letter like the attached, to be addressed to Chet LaRoche. OWI says that similar letters are being secured from all the heads of Government Agencies who have used the Council.

In their draft of a letter, I inserted "we are counting upon it (cooperation of advertising, etc.) heavily in our Third War Loan Drive starting September 9," so that no one could construe this letter as being permission from you to use space that belongs to the Treasury, for a lot of other Government purposes.

MEMORANDUM FOR THE SECRETARY.

July 2, 1943.

Mail Report

Mail receipts during the past week took a decided upward turn, and taxes figured prominently in the correspondence. There still were many straight inquiries, not to be classified either as favorable or unfavorable. There were many which reflected upon Bonds by reason of the statement that the withholding tax would affect Bond purchases. Wastefulness of Government spending also was mentioned in many letters complaining of high taxes, and the necessity of purchasing the car use tax stamp brought forth many indignant protests.

Bonds sent the Secretary for cashing fell off, however, exactly 50 being received in this way.

Bond mail is at rather a standstill, but should increase with the launching of the next campaign. The Drew Pearson column elicited 4 letters, all in favor of the Treasury stand. Every day brings in one or two requests for small Bonds of about \$10.00 denomination. Comments on the statement in regard to a 25% investment in Bonds fell off noticeably. In the letters which were received, a variety of reasons for the impossibility of such purchase were given -- OPA regulations, the lack of salary raises, inflation (particularly in food prices), insufficient help in offices and factories so that workers cannot be canvassed or records kept, and, of course, increased taxation. There were 3 complaints on what amounted to coercion in regard to Bond purchases. There were 4 complaints of extravagance in sending out citations and other Bond matter. The ratio of complaints was 43 for the War Department, 10 from other sources. This would indicate a slight falling off in the actual number of complaints, but the same comparative ratio for the worst offender.

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Memorandum for the Secretary.

July 2, 1943.

The general mail contained questions as to the legality of the withholding tax, strenuous objections to the new pennies, and complaints of difficulties in cashing Government checks.

White House mail reached an all-time high for June, with the receipt of 1,138 pieces of mail referred to the Treasury. Two-thirds of this mail dealt with the question of taxes. In all, 771 letters, telegrams and postal cards urged a Presidential veto of the Congressional tax plan. Of these, 383 contained no comments or questions and were simply filed. The remainder required some type of acknowledgment. In previous years the low figure for June came in 1937 with 483. The previous high was last year with 775.

J. V. Toobush

- 1 -

General Comments

W. S. Sanford, President, Sanford-Brown Business College, St. Louis, Mo. Please use your influence in defeating the measure now sponsored by Senator Truman for the revision of the N.Y.A. This is a useless expenditure of our taxpayers' money. You, Gentlemen, should be complimented for taking the stand against such a measure. Certainly our boys who are fighting our battles, need attention, and the N.Y.A. has aided and assisted young men and women to become apathetic. It is a shame that this bill ever passed the Senate in the first place. It teaches young men and women to expect Government aid the rest of their lives, in many cases.

John W. Green, President, Wauneta Falls Bank, Wauneta, Neb. We are today in receipt of R.O. Memo No. 103, dated June 24, 1943, by Regional Office Commodity Credit Corp., Kansas City, Mo., advising us of the increase of income to the corporation, and the reduction of income to the banks and those actually handling the commodity loans. It occurs to us in all fairness if the Administration wishes to actively liquidate country banks, they should say so. We have some little ability and could be using it in some other field, if no return is to be allowed country banks. Country banks may not be needed, but if they are not, the Administration should say so. Perhaps subsidized organizations can take care of sales of Bonds and assistance in handling tax returns for the Government better than men trained for years; if so, let the banks know and they can pay off and quit, cease to be taxpayers and become taxeaters. I do not have any idea this will get farther than the outer office and may not even make that.

- 2 -

Favorable Comments on Bonds

A. F. Whitney, President, Grand Lodge, Brotherhood of Railroad Trainmen, Cleveland, Ohio. I refer to a statement made by Mr. Drew Pearson in his syndicated column in which he states you have been opposing high-pressured efforts by banks and other institutions to make War Bonds negotiable and subject to trading by banks and on the Stock Exchange. Please know that we shall vigorously support your position. I think it would be a national calamity to subject the people's War Savings Bonds to stock market manipulators and gamblers. * * *

E. R. B. Harris, St. Petersburg, Fla. You are a friend of the people so I am addressing you as a friend. In our fine, broad-minded St. Petersburg Daily Times of June 13, I read, "Morgenthau protects War Bonds by keeping them off market". The people understand something of your fight with big interests. What we wish to know is -- who won? The people have not forgotten what happened after the last war. Not knowing who has control of the Victory, or defense groups, workers and individuals are refusing to buy Bonds. * * *

- 3 -

Unfavorable Comments on Bonds

F. Reed Dallye, Pittsburgh, Pa. During the recent Second War Loan Drive my wife very gladly assisted in a minor way. A week or two after it closed, she received a short letter of appreciation from those in charge locally. A week or so ago she received a rather fancy certificate in colors covering the same territory. It seems to me that expense of preparing and mailing the latter is not necessary nor justified and that money could be used for bombers or bullets to more effect. We are all willing to help, but not for public waste. And while on this subject, has it occurred to you that there are a lot of people who still think for themselves, and who are not continuing to buy Bonds to support the 3½ million bureaucratic employees now in existence? Bungling management can last just so long.

Mrs. E. D. Moses, Bluffton, South Carolina. This morning I heard another of your Treasury Star Parade transcriptions, presumably designed to sell War Bonds. It not only was no inducement to buy Bonds, as far as I or any other reasonably intelligent person is concerned, but it made me sort of sick and ashamed. It was, actually, cheap, shoddy soap opera, with a Russian twist. It also makes me sick to think any of my tax money goes to perpetrate such tripe. The young men and women writing and producing this shoddy stuff could serve the country far better in uniform or on an assembly line, or behind a plow. And this comes from one whose husband is in uniform. Our men are gone -- we are working to produce food without any labor, even in our kitchens, thanks to northern trouble makers -- and we could do this with better heart if our Government did not consider this war just another quickie soap flake to be sold to us by the same soap flake selling technique. * * * We want no money spared

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so far as our services and the war effort are concerned. What makes us see red are the millions poured down propaganda rat holes; the millions used to pay draft age Washington workers who should be in there fighting beside our men.

Pvt. Everett D. Hinkle, Hammerfield, Fresno, Calif. While this letter might be quite irregular, this is my last effort to endeavor to get my Bonds which have been deducted from my salary earned in the U. S. Army. Was inducted August, 1942, and at that time I authorized a \$6.25 deduction each month from my salary. This is June, 1943, and I have not been able to get even the first Bond which I paid for. Yes, I've tried and tried at every field where I've been stationed, and always it's the same story -- they will be mailed to you, or go see so-and-so, or they will be mailed to your next address. I have made numerous trips at various times to try to get some information about these Bonds. After 11 months of failure, I'm taking this means of trying to get them. Will you please forward this letter to the proper office so that they may issue my Bonds? * * * Anything you can do toward this will surely be appreciated. And, again, I'd like to say that I would not have taken this means if any one at any office at any Camp where I've been stationed would have known anything about these.

Irving Edison, Vice President, Edison Brothers Stores, Inc., St. Louis, Mo. * * * Our drive for the sale of War Bonds and Stamps in our 169 stores has been curtailed because the Regional War Labor Board here has refused to give us permission to pay our contest editor \$15.00 per week for the work that is done in supervising this contest on extra and spare time. Our former contest editor received \$90.00 per week and resigned. We explained to the local Board another employee agreed to carry on, partially for patriotic reasons, on personal time for just \$15.00 per week. The request was denied, in spite of the hours of time

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that we spent explaining the circumstances to the officials here. * * * I am personally paying this party out of my pocket for the past weeks that she has been doing this work, and I have been forced to temporarily abandon our entire Bond and Stamp selling campaign in 169 stores all over the United States. I shall be pleased to give your investigator more complete details in this matter.

Senator Langer (North Dakota) sends letter he has received from Allen J. Rishel, Enderlin, N. Dak. Some time ago I bought one of the U. S. Victory Bonds for \$500, with the coupons on. This morning when I went to cash the coupon, which was \$2.06, they charged me 40¢ to cash it at the bank. They claim that they must register the coupon in, which costs 15¢, and then the Bank in Minneapolis charges them 25¢. I think that this is entirely too much to cash a coupon. * * * We want to help Uncle Sam, and we believe that he wants to help us. I have heard quite some complaints regarding this charging business on these coupons, and it looks like some one is taking an advantage of the matter and think that the Post Offices should cash and handle these coupons without any charge. * * *

E. A. Terrell, President, The Terrell Machines Company, Charlotte, N.C. We send you copy of attached letter to Mecklenburg County War Savings Committee because of the recent handicaps and limitations that have been placed on wage and salary increases to employees who deserve them because of greater skill, for increased production, for length of service, and for heavy additional responsibilities placed upon our office and administrative forces. These limitations are of such a nature that we believe they will seriously affect the war effort throughout the country. The amount of paper work required to secure deserved increases is such that we have not been able to handle it up till now, and we anticipate that we will have considerable difficulty in securing approval of such deserved

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increases even after presentation of the facts. * * When we consider the amount of money which is being squandered by the Federal Government through waste and inefficiency and contrast that vast sum with the amount which will be necessary to provide proper salaries and wages for deserving employees, we are forced to conclude that the present policies of the Government on wages and salaries are not conducive to efficiency or a quick victory. (The following comments are quoted from the letter addressed to the Meckelenburg County War Savings Committee by Mr. Terrell.) In response to your letter of June 15, 1943, and telegram of June 23, 1943, requesting the appointment of a Treasury representative for this company to increase the purchase of War Bonds, we regret to have to inform you that we do not have sufficient personnel to handle this matter in the way suggested in your letter. No one person in our organization has enough time to contact all of our employees. * * * We anticipate considerable difficulty in increasing subscriptions to Bond purchases at this time because of two factors: One, the deduction of withholding taxes, which becomes effective July 1, 1943. Two, the fact that the War Labor Board and the Treasury Department apparently will not permit us to grant earned increases for merit, extra duties, and the assumption of greater responsibility, incident to the war work which we are doing. We are working on this, however, and if these handicaps in the way of additional earned income can be removed, we feel that there will be a greater possibility of securing an increased percentage of War Bond purchases.

S. A. Horvitz, Publisher, Mansfield Journal Company, Cleveland, Ohio. We, like a great many other newspapers, are handling War Savings Stamps for sale by our news carriers. This week there was stolen from our office approximately \$500 worth of War Savings Stamps that we had on hand to furnish to the newsboys to make sales. The local Police Department is investigating the matter. In view of the fact that we are

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really acting as agents for the Treasury Department we feel that some Federal Agency would be interested in investigating this theft. We called Mr. Lee Boardman, of this city, who is in charge of Federal Bureau of Investigation, and also talked with Mr. Frank R. Holliday, who is in charge of the Secret Service Department here. They both informed us that they had no jurisdiction in this matter. As you know, all newspapers are going to considerable trouble and expense in handling the sale of these Stamps, and we certainly have no objection to doing so, but we do feel that when there is a theft, some Federal Agency should take an interest in the matter. * * * A great many small newspapers feel that the fact that they are handling matters for the Federal Government assures them a certain amount of protection. * * * Please advise if your Department would be interested in investigating this loss.

H. K. Humphrey, Chairman of the Board, Winnetka Trust and Savings Bank, Winnetka, Ill. A mimeographed communication purporting to give excerpts from an address by Mr. W. L. Hemingway, provides an opportunity to make some comments which have been in my mind. * * * The heading compelled immediate attention: "W. L. Hemingway Praises Secretary Morgenthau's Reorganization Plan for the Sale of War Bonds". Since I haven't wanted to praise the proposed reorganization, I read very carefully, but could find nothing in the excerpts to justify such a heading, and therefore consider it misleading. Certainly it is wise to foresee difficulties which threaten any machine, or organization even while it is apparently functioning smoothly. Nevertheless, unless the danger is imminent and can be made obvious to those who are running the machine, it seems unwise to make changes, especially when these have the appearance of giving a kick in the pants to those who have done a good job. * * * Perhaps to those nearer the center of things, the reasons for the proposed change are clear and sufficient. I have only the statement quoted from Mr. Hemingway's speech: "For

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reasons which seemed compelling to him, Mr. Morgenthau decided to create the new organization along state lines. . . . " The first seven words of this quotation seem to be a round-about way of saying, "Arbitrarily"; the word could have been expanded just as well into: "For reasons which he does not care, or dare, to make public." * * * The thought is inescapable that maybe the reason for the change is really jealousy of a Department which is not wholly under his control and which, in spite of that and mirabile dictu, really did a good job and is getting some credit for it. I can't help feeling that the Federal Reserve Districts are the natural and most workable divisions for such an organization, that it is unwise to make changes as radical as those proposed in a machine which functioned so well. Unless a more frank and convincing explanation is forthcoming, I am afraid that it will be more difficult to give my wee drop of aid wholeheartedly to the new committee than it would have to the old familiar one. * * *

C. R. Ballard, Managing Editor, Sarra, Inc., Chicago. A man by the name of Ray Sandmeyer, representing himself as an agent of the Treasury Department, has called on this company two or three times within the past several weeks ostensibly to present the 10% payroll deduction plan. * * * This man Sandmeyer has been extremely abusive, and to my way of thinking, is much more typical of the Gestapo than he is of the Treasury of the United States. Miss Wells, our accountant, to whom he talked, reports to me that the man made a number of threats, called the President of the company unprintable names, cast aspersions on our patriotism and said that the investigation of the company would be turned over to the FBI. This last procedure is one, incidentally, which we would welcome. As an American citizen and soldier in the last war, I want to protest strenuously against visitations of this type. I can state with positive assurance that every member of this organization is a loyal American citizen. Every one I have questioned

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so far is doing all that he can to aid in the war effort and every member of our organization resents the methods of intimidation that this man Sandmeyer has attempted to use. Incidentally, he refused to give his name but we learned what it was when we called the local office of the United States Treasury and talked to his superior. * * *

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Unfavorable Comments on Taxation

Paul R. Reynolds, NYC. Under the compulsion of the notice of levy served on us by your representative on June 16, 1943, for alleged unpaid income tax of P. G. Wodehouse in the amount of \$38,711.81 for the year 1937, we have sent to the Collector of Internal Revenue our check for \$23,624.48, representing the entire amount now owing by us to Mr. Wodehouse. As Mr. Wodehouse's literary agents in the United States for more than twenty years, we protest against this levy and the manner in which the Treasury Department has proceeded. Mr. Wodehouse's 1937 Federal income tax return was filed June 3, 1938. The 1937 Federal income tax return of Siva, S.A., a Swiss corporation to which Mr. Wodehouse had assigned certain of his copyrights, was filed May 28, 1938. A tax of \$4,526.40 was paid on Mr. Wodehouse's account, and a tax of \$8,514.12 was paid on Siva's account, on or before those dates. Subsequently, in December, 1940, after examinations by at least two different income tax auditors, the Treasury Department ruled that Mr. Wodehouse had paid \$723.89 too much, and refunded this amount to him. At the same time, the Treasury Department ruled that Siva had paid \$395.90 too much, and issued a check in refund of this overpayment. * * * Normally, the Treasury Department is prohibited by law from attempting to collect additional taxes more than three years after the due date of the income tax returns, which in this case would have been June 15, 1941. Nevertheless, the Treasury Department in the past year again audited Mr. Wodehouse's 1937 returns, and as I am advised by Mr. Wodehouse's attorney, have gone so far as to demand inspection of his correspondence with Mr. Wodehouse. * * * Notwithstanding these repeated and exhaustive investigations over a period of five years, after what was intended to be a final settlement two and a half years ago, involving great loss of time to both Treasury employees and Mr. Wodehouse's representatives in this country, it appears that the Treasury was still unable to make up its mind as to Mr. Wodehouse's 1937 tax liability, for his attorney informs me that he was

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asked on June 14, 1943 (for the first time) to sign a waiver of the statute of limitations, which under ordinary circumstances would have finally run two years before. When he declined, the Treasury made a "jeopardy" assessment on June 15, 1943, instead of adopting the usual procedure of mailing a letter of proposed deficiency, permitting the question of liability to be determined by the Board of Tax Appeals in an orderly way, and any additional tax found due to be collected thereafter. The intent of Congress in authorizing the drastic remedy of jeopardy assessment was to limit its use to cases in which the Commissioner of Internal Revenue believed that the collection of the proposed deficiency would be jeopardized by delay in seizing the taxpayer's property. Such belief in this case is difficult to justify, since the Treasury Department has known for three years that all Mr. Wodehouse's property in the United States has been frozen under its control. The jeopardy assessment was followed by the filing of a lien with the District Court here, which gave rise to publicity, with the unfavorable implication that Mr. Wodehouse was delinquent in meeting his taxes, without giving him or his representatives a chance to be heard in his defense.

B. T. Clifford, B. T. Clifford & Company, Merchandise Brokers, St. Louis, Mo. I have just purchased a Federal Use Tax Stamp. To read it I would have to get a magnifying glass. The color is nondescript, might be orange, or might be a sickly yellow. This is the most miserable piece of work I have ever seen the Government turn out.

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S. J. Steers, N.Y.C. If I sold the U. S. Government the right to cut lumber on my property and then placed guards around it to keep your men off, you would arrest me for swindling! Well, you are doing exactly that same thing when you charge me \$5.00 for a license "For Use" of my auto and then deny me the use of it. I wrote your Department last January asking for a pro-rata refund. I still feel that I am entitled to a refund, and I think it is your duty to protect the good name of our Government to request Congress to pass a law that will enable you to make amends to the millions of citizens that, up to now, have been rooked. * * *

Dr. S. A. Alexander, 1830 Eye Street, N.W., Washington, D. C. I wish to call your attention to the enclosed notification of the Collector of Internal Revenue, Baltimore, Maryland. (Notice requires certification, sworn before Notary Public, etc., on \$1.00 check -- narcotics registration tax.) In view of the fact that all checks for income taxes and all other payments I make are accepted without certification, I feel that in the present emergency, this ruling should be changed, because of the waste of manpower it takes to have a check certified, or to get a Money Order. I make this statement assuming that this regulation applies to over a hundred thousand physicians, with a manpower loss of over fifty thousand hours a year. * * *

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

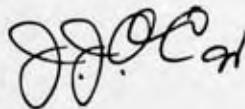
DATE

TO Secretary Morgenthau
FROM Mr. O'Connell

July 2, 1943

In accordance with a request made by Harry White, which I understand was relayed from you, I have tentatively arranged for you to meet with the "Silver Committee" next Wednesday morning at 10:30 in the Indian Affairs Committee room.

Senator McCarran, with whom I talked, said there was some talk about recessing tomorrow and indicated that should that take place the meeting would be off.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Mr. O'Connell

July 2, 1943

It may be only a follow up of yesterday's newspaper story about Martinique, but this morning's ticker carries the following statement:

"American naval forces appeared today to have won a bloodless victory at Martinique with the collapse of an administration faithful to Vichy.

"Paris radio last night confirmed that Admiral Georges Robert, Vichy-appointed Governor, had been 'forced to ask for terms' because of a famine.

"It was believed that the terms to be exacted of Robert would include transfer of French warships at Martinique to the control of French elements friendly to the United Nations, and employment of merchant shipping there in the service of the Allies.

"A dozen tankers and merchant ships are expected to be freed for use in Inter-American trade."

It is not clear from the statement whether there has been a physical occupation. Probably not, although the phrase about "American naval forces" would tend to create that impression at first blush.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
 FROM Frances McCathran

July 2, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

Little progress was made yesterday in the Congressional stalemate over appropriation bills. Although House and Senate conferees managed yesterday to compromise their differences over funds for OPA and OWI in the mammoth War Agencies Bill, House conferees refused to agree to Senator McKellar's amendment requiring Presidential appointment and Senate confirmation for all employees of the 16 war agencies included in the bill, earning \$4,500 or more a year. However, the Senate does not hold a premium for insisting on what have been called prejudiced amendments. In a conference on the Urgent Deficiency Bill, House representatives continue to stalemate the President's use of his Emergency Funds and pay for many Federal employees in their dogged insistence on their Kerr Committee's amendment banning use of any of the bill's monies for payment of the salaries of three Federal employees accused by that committee of un-American activities. Meanwhile, the Labor-Federal Security Bill is hogtied by House demands for the liquidation of the NYA, which the Senate voted 48 million dollars, and by House reaffirmation of its ban against permitting the National Labor Relations Board to enter labor-management disputes in plants where contracts have been in existence for three months without complaint. Both the Interior Department Bill, because of Senate demands for 22 millions for western irrigation projects, and the Agriculture Appropriation, because of House insistence on the liquidation of the crop insurance program, were also becalmed in conference eddies.

While conferees were having it hot and heavy over appropriation bills yesterday, Senator Bridges on the floor of the Senate introduced a resolution providing for an investigation of the Wallace-Jones feud by the Military Affairs Committee; but, on objections by Senator Barkley, the matter was referred instead to the Banking and Currency Committee, where it is rumored it will not receive as prompt consideration.

C
O
P
YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Chungking
 TO: Secretary of State, Washington
 DATED: July 2, 1943, 11 a.m.
 NUMBER: 1069

FWLER SENDS THE FOLLOWING FOR STONE OF NEW in reference to his no. 2 and the Department's message of June 23, no. 798.

Answering your questions, in the order asked, HO states as follows:

1. Generally speaking all those industries which are still allowed to continue operation are at least Japanese sponsored, but HO unable to name the specific industries. Registration with the puppet government in Hanking prior to operation is a Japanese-dictated procedure for all industrial concerns.
2. Details are not given, beyond the fact that a large part of the cargo there is rumored to be scrap iron.
3. There is no limitation to private consumption. Restrictions are placed on industrial concerns but it is impossible to say to what extent. Most of the coal for power plants is supplied by North China, probably Kailwa (Kalgan ?); in the interest of conservation of power, electric advertising has been banned.
4. HO doubts that any shipments from Shanghai are being made. If they are being made he is unaware of them.
5. In spite of the fact that there are on the market Japanese goods manufactured in Shanghai or occupied China, especially piece goods, he is not aware of any.

ATCHESON

S:WIM
 FS:MEM
 7/4/43
 Copy:bj:7-8-43

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRETU.S. SECRETOPTEL NO. 214

Information received up to 7 a.m., 2nd July, 1943.

1. NAVAL

1st. A. Royal Fleet Auxiliary Tanker was torpedoed West of DERNIA but is proceeding to Port.

2. AIR OPERATIONS

WESTERN FRONT. 1st. Escorted Typhoons damaged one 6,000 ton ship, two 3,000 ton ships and four minesweepers off HOOK OF HOLLAND. In FRANCE three locomotives damaged. Casualties in these operations and on Fighter sweeps: Enemy - 8, 2, 9. Allied - 6, 0, 0. 1st/2nd. Aircraft despatched: Seaming - 12, Leaflets - 25, Intruders - 5.

SICILY. 29th/30th. 64 Wellingtons dropped 100 tons at MESSINA. 30th. 72 Escorted Mitchells (B.25) attacked SCIACCA Airfield and 21 escorted Fortresses (B.17) bombed airfields in PALERMO Area. 1st. Escorted Spitfires bombed BISCARI Airfield.

SARDINIA. 28th, Escorted Marauders (B.26) attacked DECLONANNU Airfield. Enemy casualties: 4, 1, 5.

WESTERN MEDITERRANEAN. 28th. 20 enemy aircraft attacked PANTELLERIA Airfield, damaging 6 Warhawks P40 F on ground. Enemy casualties by A/A 2, 0, 0. 29th/30th. 48 enemy aircraft attacked BONE. 2 shot down by Beaufighters and 1 by A/A.

July 3, 1943

TO: TED R. GAMBLE
SUBJECT: WEEKLY PROGRESS REPORT FROM WAR FINANCE DIVISION

FIELDRetail Section

Attached is a full page from the Detroit News on "Eight Reasons Why You Should Increase Your Bond Pledges", which was put out by the Retail Merchants of Detroit. (Attachment No. 1)

A glossy print of the Jordan Marsh Company store, Boston, Massachusetts, containing their advertising on the promotion of War Bonds is attached. (Attachment No. 2)

Pittsburgh Department Stores and other retailers of the community will join in a nationwide "Retailers For Victory" month in July to promote the sale of War Stamps. Merchants will devote all advertising space to the sale of War Stamps July 8 and 9; there will be special radio programs;

OK
7/3/43

FIELDRetail Section (Continued)

sidewalk flags, booths and other facilities will be used throughout the month.

Attached is a sample of the promotion from the National Dry Goods Association and Kaufmann's Department Store, Pittsburgh. (Attachment No. 3)

The attached clipping from the Women's Wear Daily of June 28 shows Los Angeles stores' plans for a \$40,000,000 Bond drive. (Attachment No. 4)

Agricultural Section

Georgia 4-H Club members have bought and sold \$5 million worth of War Bonds and Stamps, more than enough to pay for two Liberty Ships. The original goal was \$2 million.

The New Jersey Grange organization is putting on a million dollar drive. Already some local New Jersey Granges have made sales of more than \$10,000 in War Bonds.

Greater food production and increased purchases of War Bonds and Stamps in the amount of a quarter of a million dollars are set up as major goals of 165 Negro Victory Clubs operating in 10 Louisiana parishes.

Motion Pictures and Special Events Section

Rapides Parish, Louisiana, January through May "Sponsor a Fighting Ship" campaign resulted in the sale of \$9,799,880 in War Bonds.

FIELDMotion Pictures and Special Events Section (Continued)

During the past week the Two-Man Jap Sub visited St. Albans and Huntington, West Virginia; Portsmouth, Chillicothe, Columbus, Springfield, Cincinnati, Middletown, Dayton, Troy and Piqua, Ohio.

The Newsreel Division of the War Activities Committee is filming on the West Coast a batch of clips enlisting the services of a group of Hollywood's top-flight stars in the Shangri-La campaign. The first star announced is Hedy Lamarr.

The Women's International Bowling Congress held last month in Chicago at an impromptu War Bond rally sold \$38,675.

Payroll Savings Section

The attached list of companies have been reported as having achieved the goal of 10% during the past week. (Attachment No. 5)

Women's Section

An article has been prepared for the Ladies' Auxiliary to the Veterans of Foreign Wars.

"A Summary Review of Publications for Use by Women" was prepared primarily for the six Regional Conferences to be held during July.

Education Section

The fourth issue of the Schools-at-War

FIELDEducation Section (Continued)

Bulletin, which will go to every teacher, includes basic information on all phases of the school program. Following the practice of the second and third issues, this fourth issue, to be distributed in September, will be accompanied by poster material designed particularly for schools.

The opening of the Third War Loan Drive will coincide with the opening of most schools, the students of which will be urged to play their part through participation in special campaigns and through a "Letter Home" campaign to explain to every family the importance of the Drive and how each family must "Figure It Out" as to how much they can possibly put into War Bonds.

Field Memoranda

Recent memoranda sent to the Field include numbers 644, 645, 646, 647, 648 and 649. (Attachment No. 6)

Special Activities Section

The first State to announce its completed State War Finance Committee is New York with 50 representatives from business, professional, social and religious groups. A list of leading members of the committee is attached. (Attachment No. 7)

New England's French-American Liberty Ship campaign started June 24 with a goal of \$6,000,000 in War

FIELD

Special Activities Section (Continued)

Bonds to purchase three Liberty Ships.

Kingston and Beacon, New York have been awarded the Treasury Payroll Savings Flag, signaling that more than 90% of their industries and business houses are enrolled in the Payroll Savings Plan.

NATIONAL ORGANIZATIONS

Labor Section

Through the cooperation of the Illinois State Federation of Labor, special communications on the withholding tax and War Bonds have been sent to over 3,000 local unions in Illinois.

The Milk Wagon Drivers Union in Chicago, through its secretary, Mr. Thomas Haggerty, and our mid-western representative, has made arrangements to have War Bond booths permanently maintained in the Victory Plaza.

Private Charles F. West, Jr., U. S. Army, member of the Labor Section, was able to secure army furlough in order to attend the meeting of the Oregon State Federation of Labor at Eugene, Oregon. He took part with State Administrator Ecoles in a discussion of the Payroll Savings Plan, which was enthusiastically received by the convention.

A 2,000-mile tour of the Chicago Great Western Railroad has just been completed by representatives of railroad Labor and Management, the Treasury Department, and local

NATIONAL ORGANIZATIONS

Labor Section (Continued)

War Bond Committees. Addresses were delivered at 24 meetings.

The Kansas City Southern Railroad will sponsor a similar War Bond tour in the near future.

Business and Trade Association Section

The chief of this section met with officials of the American Institute of Accountants and the National Association of Cost Accountants in New York on June 27, for the purpose of planning a War Bond Program for the accounting profession, with special emphasis placed on accountants' aid in expediting the delivery of War Bonds.

The National Council of American Shipbuilders will inaugurate a campaign to increase employee participation in Payroll Savings.

Foreign Origin Section

Dr. C. B. Johannides, Executive Secretary of the Order of Ahepa, Greek fraternal organization which has sold \$45,500,000 worth of War Bonds, has discussed with this section the lack of Treasury recognition of individual and collective War Bond efforts for members or organizations which do not come under Payroll Savings Plans. Members of this section are developing methods of stimulating interest through awards.

NATIONAL ORGANIZATIONSFraternal and Service Section

The Grotto of North America, with more than 90 lodge headquarters, has voted to invest all of its surplus funds in War Bonds.

The 10,000 young Jewish men under 21 years of age who are members of the A.Z.A., are sponsoring a nation-wide War Bond drive from August 1 to October 13, with a tentative goal of \$1,000,000.

During the High Holidays, every Jewish Synagogue in the United States will sponsor a nation-wide War Bond drive.

Inter-Racial Section

The Afro-American Newspaper has completed its plans for a bomber campaign. The bomber will be named Sidat Singh for the Negro aviator who recently lost his life in Lake Michigan.

Attached is a list of contacts made by this section during the past week. (Attachment No. 8)

PRESS, RADIO AND ADVERTISINGRadio Section

Six one-minute dramatic announcements have been transcribed and will be broadcast by all 868 of the nation's radio stations 18,228 times during the week of June 28, and six others for similar broadcasting the week of July 5.

PRESS, RADIO AND ADVERTISINGRadio Section (Continued)

Four "live" one-minute announcements were sent to the nation's 868 radio stations for broadcasting during the weeks of June 28 and July 5.

The Office of War Information Fact Sheet has been sent to the entire radio industry as the basis for announcements and complete scripts on the pay-as-you-go income tax plan. During the weeks of June 28 and July 5, 86 of the leading sponsored and sustaining programs will carry this material on all four networks.

Six Treasury Star Parade programs have been released for use during the first half of July. They carry announcements on the pay-as-you-go plan.

WGR-WKBW, Buffalo, New York, is sponsoring the Commando Court of Honor Corps, an organization of nine to fifteen year old boys and girls committed to the sale of War Bonds and Stamps. A weekly half-hour broadcast furthers the promotion. Sales of ten dollars are required for membership. Advancement in rank is according to the amount of a member's sales. On December 31st, 1942, sales amounted to \$390,799.26.

A program broadcast from the Hollywood Bowl over the NBC network, June 30th, opened the Los Angeles "Buy A Cruiser" campaign. Stars appearing on the program were Edward Arnold, Cecil B. DeMille, Rudy Vallee, Bing Crosby and Dinah Shore with Irving Berlin directing the

- 9 -

PRESS, RADIO AND ADVERTISINGRadio Section (Continued)

"This Is The Army" chorus.

The entire script of "Mr. District Attorney," broadcast June 30th over the NBC network 9:30-10:00 P.M., was written around a War Bond plot, entitled "The Case of the War Bond Swindlers".

Basil Rathbone, who plays the title role in the "Sherlock Holmes" series over the Mutual network, is on a War Bond tour.

The Scioto County Girl Scouts of Portsmouth, Ohio, whose War Bond and Stamps sales for the past year totaled \$31,835, will be awarded a Certificate of Merit on Columbia network's "Youth on Parade" broadcast Saturday, July 3, 10:00-10:30 A.M.

Advertising Section

At a meeting with the Advertising Council, it was decided to gear the Third War Loan to the invasion theme and the necessity for sacrifice. The slogan tentatively adopted was "The More Bonds and Sweat -- The Less Blood and Tears!"

Arrangements have been made with the Advertising Council to analyze the market trading areas for (1) sales, (2) effective buying income according to Sales Management figures, and (3) newspaper advertising lineage

- 10 -

PRESS, RADIO AND ADVERTISINGAdvertising Section (Continued)

during the Third War Loan. As a result of this analysis, it can be determined how effective our campaign advertising is.

Attached are proofs of our current newspaper advertisements, "Three Words Worth 50% of His Salary", "A Message From the President", and "A Message For You From 1953". (Attachment No. 9)

The recent additions to our General Magazine Campaign make a grand total, as of this date, of 105 publications with a circulation of 34,000,000 having scheduled this campaign.

During the week of June 21 we received 90 War Bond mentions and 4 complete ads, giving a total of 94 in the seven major weekly magazines. Attached is a list of the sponsoring companies and magazines in which the advertisements appeared. (Attachment No. 10)

Through June 16, 340 business publications with a total circulation of 3,500,000 have carried the advertisement "To Hit 'Em Harder."

Attached is a proof of the business publication advertisement now being released, "The Executive Who Stops to Think...Knows That 10% for War Bonds Isn't Enough These Days." (Attachment No. 11)

- 11 -

PRESS, RADIO AND ADVERTISINGAdvertising Section (Continued)

A meeting has been scheduled for July 14 with the representatives of the Drug Cosmetic and Allied Industries at which time progress reports will be made and future cooperation outlined.

Attached are advance proofs of pages to appear in the catalogue of Sears Roebuck and Company, Chicago, Illinois. Seven million copies of this new fall catalogue will be issued, the usual readership of which is approximately 18,000,000. (Attachment No. 12)

Attached is a mailing prepared by the Sunset Outdoor Advertising Company of Seattle, Washington in which extensive cooperation of Seattle business and advertising leaders is urged. (Attachment No. 13)

Press Section

Attached is a proof of the latest series of "American Heroes", released to all dailies and mat-uring weeklies. (Attachment No. 14)

Attached are flag covers from approximately 50 magazines. These are typical of the treatment given this promotion by practically every magazine in the country. (Attachment No. 15)

Attached are six book jackets containing War Bond messages. (Attachment No. 16)

- 12 -

PRESS, RADIO AND ADVERTISINGPress Section (Continued)

Attached are seven tear sheets from MADEMOISELLE containing War Bond plugs. The Mother's Day War Stamp corsage is also given a half column filler. (Attachment No. 17)

Attached are three late issues of Liberty, and the June issues of HARPER'S BAZAAR, and LADIES HOME JOURNAL, all of which contain War Bond mentions or plugs. (Attachment No. 18)

Attached is a copy of "The Spirit", comic book section of the Sunday Star, which carries a War Bond mention. (Attachment No. 19) This is syndicated.

The SATURDAY EVENING POST of June 26 contains a short editorial box entitled "The Manpower Kids" with a War Bond ending. (Attachment No. 20)

Attached is the new set of under-bars for Sunday color supplements, carried weekly in papers with a combined circulation of approximately 18 million. (Attachment No. 21)

OFFICE OF EXECUTIVE DIRECTORPromotional Research Section

Attached is the analysis of Newspaper Carrier Sales as of July 1, 1943. (Attachment No. 22)

Attached is the analysis of sales for Series E War Savings Bonds during April and May, 1943. (Attachment No. 23)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1943

TO

~~Mr. D. W. Bell~~ *Miss Chauncey*

FROM

Mr. Odegard

scwb

I am afraid that the many delays undergone by the attached questionnaire have pretty well killed any possibilities it may have had to produce the kind of information the Secretary wanted. Dr. Likert is of the opinion that a questionnaire of this type would not have been very effective even if distributed immediately after the Second War Loan had ended, and that it could not possibly elicit any accurate replies at this late date. Don't you think too that the Likert survey on the April Drive has already answered in a general way most of the questions we all had in mind?

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

JUN 14 1943

DATE
May 18, 1943

TO Mr. D. W. Bell
FROM Mr. Stuart Peabody *S.P.*

As discussed today, while I am not a technical research man, I feel quite certain that the attached questionnaire as written and amended would not only be extremely difficult to answer, but almost impossible to tabulate.

I cannot suggest ways in which these weaknesses could be remedied but I would think that the principle used in other forms of research involving the use of a sample might very well work in this case. I would also question whether we can get really accurate information as to the effect of our various appeals by going to the people who are responsible for selling them. In other words, I am wondering whether these questions will not be answered adequately by the research being made by Dr. Likert.

Finally, I would recommend that the matter be referred to Dr. Likert and that he be asked whether the present questionnaire is suitable, and if not, how it can be made so.

Attachment.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15,
1943

TO Mr. D. W. Bell

FROM Mr. Odegard

Mr. Robbins asked me to prepare a questionnaire to go to county chairmen to discover the most effective promotional methods used during the April drive. The attached is a suggestion along this plan. You might want to have George Haas look at it before you send it out.

Questionnaire to County Chairmen

The following questions are listed to indicate the type of information which is desired. Please feel free to discuss these topics as fully as you like. It will be particularly helpful if you will give specific illustrations wherever possible. In case your experience differed for the various types of bonds that were offered, please indicate to which type of bonds your answers apply.

1. What has been done in your county ^{during the Second War Loan Drive} that seems to you to have been most effective in selling bonds?

- a. What was most effective in the line of publicity and advertising? (We refer to such things as locally sponsored posters, displays, newspaper ads, radio programs, etc.)

Did you notice any difference in the effects of various types of publicity and advertising on the sales of 2½% bonds? 2% bonds? 3% bonds?

- b. What do you feel was especially effective in the line of special promotion (such as rallies, parades, special days, etc.)?

Did you notice any difference in the effects of various types of promotion on the sales of 2½% bonds? 2% bonds? 3% bonds?

- 2 -

2. Of the things that were set up on a national or regional basis, what seems to you to have been most effective in helping you to sell bonds?

a. What do you feel was most helpful in the national publicity and advertising? *Did you notice what particular type of advertising was most helpful in selling 2 1/2% bonds? 27% bonds? 2 bonds?*

b. What was most helpful in the line of national special promotion? *toward selling 2 1/2% bonds? 27% bonds? 2 bonds?*

3. What organizations (local or national) have been of the greatest help to you in selling bonds? What did they do? *which specific organizations were most successful in the sale of 2 1/2% bonds? 27% bonds? 2 bonds?*

- 3 -

4. In your opinion, what appeals or reasons did your solicitors find most effective in getting people to buy bonds? $2\frac{1}{2}\%$ bonds? 3% bonds? E bonds?

5. Were there any particular difficulties that you encountered in selling bonds? What sorts of things were they? $2\frac{1}{2}\%$ bonds? 2% bonds? E bonds?

6. In all of the publicity and special promotion what things now appear to you as having been the least effective?

Which were least helpful in the sale? $2\frac{1}{2}\%$ bonds? 2% bonds? E bonds?

47296
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 13, 1943

TO D. W. Bell
FROM The Secretary

Would you please give instructions that I would like to send out a questionnaire to each County Chairman of War Finance asking them what scheme helped sell the most (1) 2½% Bonds, (2) 2% Bonds and (3) E Bonds.

Please have the answers come in as rapidly as possible and let George Haas analyze them for me.

RECEIVED

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149

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Chungking
TO: Secretary of State, Washington
DATED: July 3, 1943
NUMBER: 1080

STRICTLY CONFIDENTIAL

With reference to the Embassy's wire of June 9, 1943, no. 883, the following is submitted from Kunming's summary for the month of June.

No improvement was manifested in the local inflationary situation and a steady rise in prices continued to be shown. For several days late in June open trading in foreign currency bank notes by local exchange shops was suspended. At the end of the month, however, it was resumed. It appears that local exchange dealers fear the imminence of central Government pressure on provincial authorities to halt exchange transactions of a black market character. However, backdoor accommodations were offered to known customers during the short period of the suspended trading.

After a considerable period of almost equal value, as compared to the Indian rupee, American dollar bank notes during June showed a "black market" value in excess of the Indian currency.

ATCHESON

Copy:bj:7-8-43

PARAPHRASE OF EXCERPT FROM TELEGRAM
NO. 1080, DATED JULY 8, 1948, FROM AMERICAN EMBASSY, CHUNGKING

There was no evidence of an improved inflationary position in this locality and prices continued to mount steadily. For several days during the latter part of June, open trading in foreign currency bank notes by exchange shops in this vicinity was stopped. Although backdoor facilities were afforded regular customers during the several days when trading was suspended, exchange dealers in the vicinity seem to be afraid that central Government pressure on authorities to stop "black market" exchange transactions is imminent.

For the month of June American dollar bank notes disclosed "black market" value over and above Indian rupees. For a considerable period of time the value of these has been about equal.

COPY NO. 13NOT TO BE TRANSMITTEDOFFICE
SECRETARY OF TREASURY

BRITISH BEST SECRET

U.S. SECRET

OPTEL No. 215

13 JUL

TREASURY DEPARTMENT

Information received up to seven A.M. 3rd July, 1943.

1.

Naval.

Mediterranean. 20th/30th. MARINA D'AVOLA on East Coast Sicily shelled by Coastal Craft.

2.

Air Operations. Western Front.

Second. Light bombers and fighters attacked railway and other targets ~~in~~ N. France and Low Countries. Oil storage cistern destroyed and 4 locomotives damaged. 2nd/3rd. Aircraft despatched-sea-mining 32, Cologne 3, Duisburg 2, Intruders 3. Sardinia. 30th. 107 tons dropped on Palermo by Fortresses (B.17) and 66 tons on Aorizzo and Trapani Airfields by Medium Bombers. Sicily. 30th/1st. 67 tons dropped on Cagliari by Wellingtons. Mediterranean 30th. Enemy schooner sunk off Leghorn and another left sinking off Capri Pacifica. 30th. 23 Medium Bombers attacked enemy targets in Salamoia Area and 28 Allied Light Bombers (6 missing) attacked Vila Airfield.

BRITISH MOST SECRET
U.S. SECRET

1943 JUL 7 AM 11 40

OPTEL No. 218

Following is supplementary resume of operational events covering the period 26th June to 3rd July, 1943.

TREASURY DEPARTMENT

1. NAVAL

HOME WATERS. During night 28th/29th our Coastal batteries fired 52 rounds at an enemy convoy off GRAVELINES. Results are unknown but convoy was disorganized. Enemy shore batteries replied causing some damage to shops and utilities in KENT Coast towns, but few casualties.

NORTHERN WATERS. GRAF ZEPPELIN was located in a creek two miles east of SIETTIN on 23rd and it is possible that work on her has been abandoned. ADMIRAL SCHERER was seen exercising off BORNHOLM on 26th June.

SUBMARINE WARFARE. During week ending 30th, 90 U-boats were at sea in ATLANTIC and INDIAN OCEANS, nearly half probably in area southwest of AZORES and only about six in ATLANTIC north of 50° N. In latter area no sinkings have occurred in past 6 weeks. In all theatres 29 attacks reported on U-boats of which 14 were by aircraft. Of 7 promising attacks, two were by H.M. sloops, two by U.S. destroyers, one by H.M. destroyer and two by R.A.F. Coastal Command flew 300 sorties on anti-submarine operations. Made 27 sightings and 12 attacks.

SHIPPING CASUALTIES. From 26th to 2nd inclusive 5 merchantmen were reported torpedoed. One U.S. tanker was torpedoed off RIO DE JANEIRO but reached port safely, a British tanker was sunk in GULF OF OMAN, a Norwegian ship in MUSCAT Harbour, a British tanker was torpedoed and shelled in the INDIAN OCEAN and a Greek ship was sunk off the Indian Coast. A British trawler was sunk by mine off SCARBOROUGH.

TRADE. During week ended 27th, 7 ocean convoys arrived without loss. Imports to U.K. totalled 873,000 tons of which 147,000 tons were oil.

2. MILITARY

GREECE. Between 20th and 22nd guerillas carried out extensive demolition on ATHENS-SALONIKA railway and road. It is probable railway between LAMIA and ATHENS will be out of action for at least two months. The Italians have carried out two drives against guerillas during the past month suffering over 1200 casualties at negligible cost to the guerillas.

BURMA. In Chin Hills the monsoon has caused difficulties in communications but active patrolling has continued.

3. AIR OPERATIONS

WESTERN EUROPE. Night. 846 aircraft operated of which we lost 23. Three enemy aircraft were destroyed. The only heavy attack was on COLOGNE where results are believed successful but no details yet available. The raid on WUPPERTAL reported in OPTEL 207 is believed to have caused notable destruction. 8 enemy aircraft crossed our coast at night.

Day. The attack by U.S. Fortresses on ST. NAZAIRE was successful, but the results against LE MANS are doubtful. Many other attacks on shipping and railways. In all day operations Allies lost 29 aircraft against enemy casualties of 44, 18, 23.

MEDITERRANEAN. ITALY. A heavy attack on LEGHORN and also attacks on BINI, NAPLES, SAN GIOVANNI and REGGIO.

SARDINIA. Attacks mainly directed against airfields.

SICILY. 3 heavy attacks on MESSINA, and one on PALERMO. Other objectives were mainly airfields. Enemy attacked PANTELLERIA and BONE. Enemy reconnaissance aircraft were active covering all areas of the MEDITERRANEAN. In MEDITERRANEAN operations we lost 12 aircraft against enemy casualties of 56, 19, 23.

FAR EAST. BURMA. Although generally operations were affected by the monsoon, Allied attacks were maintained on rail and river communications. In addition to other attacks, a long stretch of railway track was destroyed 60 miles northwest of MANDALAY, cotton mills 70 miles southwest of MANDALAY were demolished and 60 sampans and barges were sunk mainly on the IRRAWADDY.

RUSSIA. The Russians successfully attacked railway junctions and enemy airfields.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS OF ALLIED AIR ATTACKS

KREFIELD. Photographs on 24th after attack 21st/22nd show that damage is extremely heavy. Out of 1100 acres of fully built up town area it is estimated that about 900 acres have been devastated.

BREMEN. Photographs taken after U.S.A.A.F. attack on 13th show serious damage to Atlas Works Ship Yards and to docks immediately to the northeast

ESSEN. Undamaged machinery has been sent from Krupps to LUXEMBURG and MULHOUSE. A director is said to have reported personally to Hitler that it was useless to attempt to carry on at ESSEN because of morale of population of whom over 100,000 had no roof over their heads.

LEGHORN. Photographs after attack of 28th May on LEGHORN Oil Refinery show that almost entire weight of attack was concentrated in target area and that the entire plant may have been put out of action.

CAGLIARI. Photographs show that attacks on 13th and 13th/14th May caused very severe damage in almost every part of the town, docks and railway yard. Refractory Plant, Gas Works and many shops and warehouses were damaged, as well as public buildings.

5. HOME SECURITY

Estimated civilian casualties for week ending 30th were 30 killed and 27 injured.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 216

Information received up to 7 a.m., 4th July, 1943.

1. AIR OPERATIONS

WESTERN FRONT. 3rd. Light Bombers attacked the power station at PONT A VENDIN and fighters set fire to three oil cisterns near AMSTERDAM and damaged 9 locomotives.

3rd/4th. Aircraft despatched: COLOGNE - 653 (30 missing), HAMBURG - 4, DUISBURG - 4, Sea-mining - 14 (2 missing), Intruders - 24. At COLOGNE, weather conditions were favourable and attack was considered successful.

SARDINIA. 30th/1st and 1st/2nd. Wellingtons dropped 82 tons on CAGLIARI.

SICILY. 1st/2nd. Wellingtons dropped 54 tons on PALERMO.

ITALY. 2nd. Liberators (B 24) dropped 120 tons on LECCE Airfield and 46 tons on GROTTAGLIE Airfield, both in Southeast ITALY. Combat casualties: Enemy - 11, 0, 2. Allied - 4, 0, 0.

CORRECTION TO OPTEL NO. 214

2. AIR OPERATIONS.

WESTERN MEDITERRANEAN, line 2 and 3.

For "Enemy casualties by A/A 2, 0, 0."

Read: "Enemy casualties by A/A 2, 0, 2."

OFFICE
SECRETARY OF TREASURY
1943 JUL 5 PM 3 26
TREASURY DEPARTMENT

A MESSAGE TO EVERY AMERICAN FROM THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

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 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.

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

These Firms and Individuals Are Cooperating With the U. S. Treasury Department in Bringing This Message To You

- | | | | | |
|---|---|------------------------------------|--------------------------------------|---------------------------------|
| Leon L. Juniper | Henry A. Olson, Inc. | Selfridge Plaster Works, Inc. | Allen's Sportswear | Dixon Sportswear Co. |
| Joseph S. Keating, Lumber, etc. | H. O. Press Machinery Co., Inc. | Roberts & Robins, Inc. | George J. Amos | Alexander C. Dow |
| Keyes Motor Sales, Inc. | Perimeter Furniture Co. | George C. Butler | J. E. Andrews Hardware Co., Inc. | Danco Chemical Co., Inc. |
| Kings Fashion Shop | P. H. Parsons & Son | Jack Siegel, The Family Store | Area Photo Studios | Dunham Bros. of Weymouth Falls |
| W. W. Huggins & Co., Inc. | Psychopathic Chamber of Commerce | Silver Dollar Department | Arden Sales & Service, Inc. | Dunham Iron & Metal Co., Inc. |
| Kansas Troopers, Inc. | Psychopathic Loan Office | Smith Brothers Department | The C. N. Arnold Co. | Dunham Royal Manufacturing Co. |
| Philip F. Kohn, Fire Fighting Equipment | Psychopathic Pharmacy Co., Inc. | Spice-Lozier Co., Inc. | B & M Food Market | Ellron Coal Co. |
| S. S. Kravitz Co. | Psychopathic Trust Company | Standard Cigar Company, Inc. | Stacy Inc., Inc. | Epiphone Office Equipment Co. |
| Kurtis & Chappera, Tobacconists | Psychopathic and Wappingers Falls Ry. Co. | Stanton Theatre | Stevens Leather Goods Co., Inc. | Electro Supply Co., Inc. |
| MAA-Industrial Services | Price Five & Water Printing Co. | Sam Wolfson Co. | Stevens Theatre | Essence Paper |
| MAA-Industrial Pipe & Metal Co. | Reich, The Jeweler | The First National Bank | Stevens Dress Store | Flintknecht Brothers, Inc. |
| MAA-Industrial Oil Co., Inc. | E. J. Remond's Garage | The Great Salt Machine | Stevens Great Store | French Tuxedo Shop |
| MAA-Industrial Leather Co. | Roberts-Sutton Paper Co., Inc. | Thompson Sales Shop | William E. Bush, Florist | General Ice Cream, Inc. |
| MAA-Industrial Sheet Metal | Roberts Auto Store | The Up-To-Date Co. | Brown's Menswear | Gardner's |
| MAA-Industrial Hardware | H. E. Rosenthal-Exchange Co. | U. S. Magnesium Corp. | Stead, Inc. | Garbner Service Store |
| MAA-Industrial Machinery Co. | R. H. Russell Coal Co. | Wagner Books, Publishers | Brown's Milk Co. | E. V. Grant, Print Store |
| MAA-Industrial Electrical Co. | The National Flower Shop | S. Walker Pharmacy | Capital Home Insulation Co. | C. H. Harshbarger |
| MAA-Industrial Stationery Ward Co. | Rite-Gift Store | Wagner Printing & Lithographic Co. | Charles Lippig Shop | Herman's Store for Men |
| MAA-Industrial Hardware | Scholar Choice Books | Ward's Book Service | Chatter Club Souvenirs | O. B. Hill & Son, German Polish |
| MAA-Industrial Hardware | George Schiller | Wells-Crosby | City Area Body Works | Wine Confectionery |
| MAA-Industrial Hardware | S. A. Silberstein, Stationery | A. Arnold Ward, General Goods | Charles J. Conko | Hudson Valley Laundry Co., Inc. |
| MAA-Industrial Hardware | William Schuyler, News | The Thrift Store Co. | Hartman's Luggage Co-Op. Ass'n Corp. | San Diego Co. |
| MAA-Industrial Hardware | Woods's Dairy | Van Der Meer, Inc. | Frederic H. Davis, Leather Yard | Suburban Undergarment Corp. |

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 5, 1943

TO Secretary Morgenthau
FROM Fred Smith *FS*

Attached is the letter on the Wall Street Journal story. Mr. Mager did not believe it was of sufficient scope or importance to make the usual War Finance Bulletin, with the usual format. We both felt that it would be a mistake to send it out on a plain sheet of paper because it would look like a piece of under-cover propaganda. On the other hand, if we simply signed it "Office of the Secretary", it would make it look as if it were tied to you more closely than this particular memorandum should be. Hence, we wound up making it a letter from Mr. Mager to the State chairmen. I didn't see any particular objection to this since it was only sent to the State chairmen and a handful of key people in the Treasury, who should be kept abreast of everything.

This is one of the rare occasions where having a name to sign may be an asset.

The rebuttal on the Gallup Poll will be a regulation War Finance Bulletin, unsigned. We have some new material from the OWI, and I have asked Mr. Mager to check on some things which I think are weaknesses in the Gallup Poll. For example, it is based on a 5-month period. This falls just short of the 6-month period at which time thousands of small partnerships declare dividends, which might normally fall into individual purchases of War Bonds. It specifically lists farmers' purchases since the first of the year, and it is my recollection that our farm program is based on the fact

- 2 -

that farmers don't buy bonds until late in the year. Such things as this may well account for the fact that 81 percent of the people, according to the Gallup Poll, have bought bonds, but only 60 percent have bought them this year. The remaining 20 percent may be made of farmers, small businessmen, and others. I have asked Mr. Mager to check into this with the director of our farm program, with Mr. Linkert, and others.

When we have this basic material, I will have some facts to throw at George Gallup to prove that he is editorializing on the basis of insufficient facts, which is supposed to be the most heinous crime that can be committed at Young and Rubicam.

TREASURY DEPARTMENT

WASHINGTON

July 2, 1943

Information-Letter

The Wall Street Journal's Washington Wire for July 2 carried a very erroneous and uninformed report that "most everyone in Washington is ready to toss overboard the voluntary war bond drive and put savings on a compulsory basis." The report also said that "forced savings have only three important foes: Mr. Roosevelt, Mrs. Roosevelt, and Mr. Morgenthau." In this statement, only the "only" is inaccurate.

If the writer of the Washington Wire were really up on his arithmetic, he might also have counted in a host of Senators and Congressmen who feel precisely the same about compulsory savings as the influential trio mentioned above. And last but not least he should have counted the American people who, in a recent poll, came out 90 percent against the compulsory method.

Sincerely yours,

Harold Mager
Technical Assistant
Office of the Secretary



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 5, 1943

Secretary Morgenthau

FROM Mr. Tietjens

On July 2, 1943, George Hildebrand of Milton, New York, wired you asking your help in obtaining information from OPA on currant prices.

War Food Administration released grower prices for berries Saturday afternoon and the OPA has reported that its regulation covering processors' ceilings was issued and made effective Monday afternoon, July 5th.

The effect of these regulations is to permit processors to pay currant growers 3 cents more per pound than was paid under the regulations covering the 1942 pack. I gave this information to Mr. Hildebrand at your request by 'phone Saturday afternoon. Messrs. Dickerson and Waterman of the OPA also called him on Monday afternoon, July 5th, to give further information.

You will recall that on Saturday I called various people at both the War Food Administration and the Office of Price Administration and found that Mr. Hildebrand's inquiry could not be answered because no definite information was available. I was told his answer would have to wait until the War Food Administration released grower prices for berries and until the Office of Price Administration followed that up with a price regulation for processors. When I began making my calls, I was informed that the WFA might get its release out by Monday, but that there was no possibility that the OPA could follow up with its release before Tuesday.

Though no one said so flatly in their conversations with me on Saturday, I gathered that part of the delay in issuing these regulations was the result of divided authority between the OPA and WFA.

There is attached a more detailed account of the calls which I made on July 3rd and July 5th on this matter.

Attachments 

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 5, 1943

TO
Secretary MorgenthauFROM
Mr. TietjensRe: Inquiry from Mr. George Hildebrand regarding
OPA currant prices.July 3, 1943

On July 2, 1943, you received a wire from George Hildebrand, Milton, New York, stating that he had asked K. E. Stauffer, Chief Processed Foods Branch, OPA, for information concerning rationing and ceiling prices on red currants but so far had received no reply. Hildebrand asked your help in getting this information since currants would have to be picked next week.

In an attempt to get the information, I called Stauffer's office and, after several references, ended up talking to a Mr. O'Brien who advised that while a release covering prices on strawberries, peas and spinach had been put out some time ago, they were at present working on a release covering berry prices in general and also frozen berry prices. He gave me the impression that the general berry price release was at Agriculture and suggested that I call someone there, but he didn't think that either release would come out before Tuesday, July 6th. O'Brien told me further that a Mr. Waterman in the Price Section at OPA had Mr. Hildebrand's inquiry but that they were unable to reply to it immediately because no information was then available. Waterman was not in his office but O'Brien said he would have him call me as soon as possible. O'Brien explained that these price regulations generally took a lot of time because they not only had to be cleared in OPA but with Agriculture (War Food Administration) and also, he thought, someone in Judge Vinson's office.

That was the only information I could give you when I talked with you at 12:30. You commented on the urgency of the situation since the inquiry had come from the President's own

- 2 -

district, and that it was too bad OPA couldn't take care of a little matter like this before it became so pressing. You asked me to call Secretary Wickard's office and see if we couldn't get something started which would get the releases out later in the day instead of Monday or Tuesday. You also suggested I call Prichard in Judge Vinson's office.

Just after I finished talking with you, Waterman of OPA called. I explained to him how urgent you considered this matter and that it was hard to understand why OPA couldn't clear up the berry price situation by Monday at the latest. He advised that the War Food Administration might release the general berry prices some time during the afternoon but that he considered it impossible to get out another release covering processed berry prices before Tuesday, this because it would have to clear not only OPA but WFA and OES. He indicated there was some bickering between OPA and WFA over these questions and that the controversy in Congress over subsidies had also had a disorganizing influence. He assured me he would do the best he could.

I called Secretary Wickard's office and explained the situation to Mr. Jacobs, the Secretary being at Beltsville. Jacobs appreciated the circumstances, but, since it was a War Food Administration matter, thought more could be accomplished by getting in touch with them direct rather than going through Agriculture. He offered to call but I said I would talk, so he referred me to a Mr. Meal. Meal's office said he had been out ill for several weeks and turned me over to John Dodds.

I told Dodds how urgent the matter was and repeated your conversation with me. Dodds stated that they were working on a release covering berry prices which he thought could be got out that afternoon although he was not sure. He thought the release would cover currants by allowing a 3 cent increase over last year's prices.

Prichard was next on the list. He didn't profess to know much about currant prices, but said he would look into it.

- 3 -

About 3 p.m. Dodds, WFA, called back to say that a release on berries would be issued that afternoon for the Monday, July 5th, papers. This release would set prices for all major berries and, in effect, would provide a 3 cent increase on berries not listed. Currants were not to be listed. He also said that the release would have the effect of providing a price ceiling on processed currants which would permit processors to pay growers an increase of 3 cents over last year's price. Currant sales on the open market would be uncontrolled. He thought that "buttoned up" the currant situation.

On receiving this information I called Waterman back and told him that our problems were apparently solved. He said he didn't understand it that way and said it would be necessary for OPA to get out a further regulation covering, among other things, ceilings on processed currants. I told Waterman if it was necessary for OPA to work up a further release there was no reason why it shouldn't be out by Monday, July 5th. Waterman didn't think it could be done; it took a lot of time to get the proper information and history on minor berries such as currants, blue berries, etc. He had wanted to cover currants in the general berry price regulation which was at WFA but had been overruled somewhere along the line.

After talking with Waterman, I felt that a prod from the lawyers might help. I called Mr. George Burke, General Counsel of OPA, and explained the matter to him. He said he would look right into it and call me back. On his return call a quarter of an hour later, he thought that the best we could expect was a report by 10 o'clock Monday morning, July 5th. He did say that he had given his boys hell for not moving faster on it.

When you called me at 4:45 p.m. I was able to tell you that a general berry price release had been issued Saturday afternoon and that Burke had his people working on the processed prices which probably could not be gotten out much before Tuesday. You then told me that you had had lunch with the President, that he just didn't see any reason why a release could not be gotten out by Monday.

- 4 -

The substance of your conversation was passed on to Mr. Burke who promised that his staff would work all day Sunday, if necessary, to try and carry out the President's wish.

At about 5 p.m. I called Mr. Hildebrand for you and told him that releases were in the course of preparation which would permit him to pay 3 cents more for currants to growers than paid last year and that these releases should be in the papers Sunday or Monday. Mr. Hildebrand was very appreciative of the information.

Later in the evening Mr. Reed Dickerson, an OPA attorney, got in touch with me at Mr. Burke's suggestion to iron out further details. He promised they would do everything possible to get the additional release out Monday, July 5th, and that they would call Hildebrand early Monday morning to give him the information he had requested.

July 5, 1943

George Burke called at 9:40 a.m. to say that the regulation we were concerned about would become effective today. He asked me to confirm this by calling Dickerson. Dickerson repeated that the regulation would be effective today and would be announced to the press later in the day. It might not reach the papers until morning.

The effect of the regulation will be to permit processors to add to last year's prices to growers increased costs but not to exceed 3 cents. Dickerson said he would give Mr. Hildebrand this information by 'phone.

At 3:30 p.m. both Dickerson and Waterman of OPA called to announce that the required regulation had been issued and made effective, and that they had talked with Mr. Hildebrand by 'phone and given him a full explanation.

WST

OFFICE OF WAR INFORMATION
Department of AgricultureFor Immediate Release
Saturday, July 3, 1943AG-588
X-17618Growers Prices for Berries
- - -

The War Food Administration today announced grower prices for seven types of berries which will go into the 1943 packs of canned and frozen berries.

Maximum prices for these packs will be established shortly by the Office of Price Administration at levels which reflect increases announced by WFA. This is mandatory under the amended Emergency Price Control Act, which provides that maximum prices set on agricultural commodities must reflect the higher of either parity or the highest price paid to the farmer between January 1 and September 15, 1942.

The ceiling prices to be established for canned and frozen berries will permit processors to pay berry growers the following prices:

	<u>Cents per pound</u>		<u>Cents per pound</u>
Red Raspberries	15	Loganberries	12
Black Raspberries	13	Blackberries	12
Youngberries	12	Gooseberries	8
Boysenberries	12		

In the case of all other berries except strawberries, ceiling prices for the 1943 pack will permit each processor to pay 3 cents per pound more than the weighted average price which he reported as his raw product cost under the provision of OPA price regulations covering the 1942 pack.

Ceiling prices for frozen strawberries have been established, under MPR 409, on the basis of a grower price of 12 cents a pound for stemmed berries.

In the Pacific Northwest, the chief area in which berries are processed, these prices will reflect an average increase of approximately 5 cents per pound for youngberries, 4½ cents for boysenberries, 4 cents for black raspberries and strawberries, 3½ cents for loganberries, 3 cents for blackberries and red raspberries, and 2½ cents for gooseberries. Grower prices at those levels are necessary to meet the increased cost of producing and harvesting.

Since processed berries represent a minor element in the cost of living, the increases will have no appreciable effect upon the cost of the average diet.

THE NEW YORK TIMES, SUNDAY, JULY 4, 1943.

BERRY GROWERS GET MORE

Their Levels for Seven Types of Berries Which Will Go into the 1943 Canned and Frozen Berries

Are Raised by the WPA
Special to The New York Times.

WASHINGTON, July 3.—Higher grower prices for seven types of berries which will go into the 1943 crops of canned and frozen berries were announced today by the War Food Administration.

The Office of Price Administration soon will fix ceilings for these berries, which will reflect the producer increases announced by the WPA. Such action is mandatory under the Emergency Price Control Act providing that maximum prices on agricultural commodities must reflect either parity or the highest price paid to the farmer between Jan. 1 and Sept. 15, 1942, whichever is higher.

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1945 JUL 2 PM 12T

WE HAVE ASKED K E STAUFFER CHIEF PROCESSED FOODS BRANCH OPA
FOR INFORMATION CONCERNING RATIONING AND CEILING PRICES RED
CURRANTS PURCHASED FROM OUR FARMERS FARMERS STOP HAVE HAD NO
REPLY AND CURRANTS READY TO PICK NEXT WEEK CURRANTS SHORT
CROP THIS YEAR AND FARMERS WILL HAVE TO PAY FIFTY DOLLARS TON
MORE THAN LAST YEAR FOR PICKING PLUS ADDITIONAL GROWING
LABOR AMOUNTING TO ANOTHER TEN DOLLARS PER TON THIS ADDS UP
TO AT LEAST SIXTY DOLLARS PER TON OVER LAST YEARS FARMER
PRICE STOP CURRANTS GROWN IN ONLY FEW SPOTS THROUGHOUT
COUNTRY AND THERE SHOULD BE NO REGULATION ON THIS SMALL ITEM
STOP WOULD IT BE POSSIBLE FOR YOU TO CALL STAUFFER OPA ASKING
THAT THEY GIVE US THE INFORMATION IMMEDIATELY

HUDSON RIVER FRUIT EXCHANGE INC, HILDEBRAND.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 5, 1943

TO Secretary ~~Torgenthou~~

FROM Mr. ~~Hear~~

Subject: The Business Situation,
Week ending July 3, 1943.

Summary

Commodity prices: Heavy demand for grains, combined with legislative developments, pushed commodity futures prices up to new high levels last week. However, the veto of the anti-subsidy bill caused prices to ease at the end of the period. In contrast to recent firmness in basic commodity prices, the BLS all-commodity index in the week ended June 26 again declined, due principally to the rollback in meat prices. The index now stands nearly 1 percent below the May peak.

Stock prices: Industrial and utility stock averages advanced to new highs for the year last week, although the net advance for the market as a whole was not large. Trading activity has not expanded significantly on the recent rise. Stock transactions on the New York Exchange in June declined 36 percent below the previous month.

Farm parity: The index of prices received by farmers rose 1.6 percent in June to 190, which is almost 26 percent above last year's June level and the highest since September 1920. Since the prices paid by farmers rose only 0.6 percent, farm prices averaged 116 percent of parity as compared with 115 percent a month earlier.

National income: Payments rose to a new high annual rate of \$141.0 billions in May. This compares with \$139.7 billions in the previous month and only \$111 billions in the corresponding month last year. Since May 1940, when the defense program was just getting under way, national income payments have risen 37 percent.

Coal strike: Near the end of last week 95,000 coal miners were reported to be still on strike, and 8 blast furnaces in the Pittsburgh area as well as several in Alabama were still closed down. Coal production in the first half of 1943 dropped 1,700,000 tons below last year's level, despite an increase in demand of 25,000,000 tons for the year as estimated by Secretary Ickes.

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- 2 -

Commodity futures and stock prices rise

Featured by a heavy demand for grains and stimulated by congressional approval of anti-subsidy legislation, commodity futures moved higher last week until near the end of the period, when prices reacted as a result of the President's veto of the anti-subsidy measure. Before the rise was halted, however, prices for rye and oats had reached the highest levels in many years, and the Dow-Jones futures index had moved up to a new peak since compilation of the index was begun in 1933. Moody's index of spot commodity prices also rose in the latter part of the week and reached the highest level since the early part of last month. (See Chart 1.)

Buoyant commodity prices undoubtedly lent some additional stimulus to the gradual further rise in stock prices which has been under way recently. Although the net advance for the stock market as a whole last week was relatively small, both the industrial and utility stock averages made new highs for the year. (See Chart 2.) The rise in utility stocks was featured by sharp gains in the preferred stocks of various holding companies, apparently on the theory that recent political developments may foreshadow more lenient public policies toward these enterprises. Despite record traffic, railroad shares continue to lag and have been unable to penetrate their previous high for the year touched in May. In addition to widespread wariness over the post-war outlook for the railroads, the near term outlook has been confused by the unsettled status of pending wage demands of both operating and non-operating employees.

Recent gains in stock prices have not been accompanied by any notable expansion in trading activity. In this connection it is of interest that daily average stock trading on the New York Exchange in June fell 36 percent below the previous month, and reached the lowest level since last January. An important factor in the decline has been a falling off in trading in low priced stocks, in contrast to the heavy trading in these issues earlier in the year. Although some expansion in brokers' loans for purchasing and carrying securities other than Government obligations has occurred in recent months, such loans by New York member banks on June 23 were still only \$458 millions. In comparison, the corresponding total on March 31, 1943, when such figures were first reported, was \$303 millions.

- 3 -

Basic commodity price index slightly higher

The BLS index of 28 basic commodities rose 0.3 percent last week, largely as a result of an increase in grain prices. (See Chart 3.) Wheat prices were up sharply, approaching the war-time peak of early March. An upward revision in the loan rate of 1 cent in line with the higher June parity price, and a strong demand from distillers, helped to raise wheat prices. The CCC abandoned last week its program to subsidize wheat for conversion into industrial alcohol because Congress withdrew its authority in the pending Agriculture appropriation bill. This action forced distillers to enter the open market to obtain their wheat requirements. Barley prices rose 3.7 percent to a new high. While prices of hogs were up somewhat at the end of the week, steer prices declined noticeably due to uncertainties concerning the subsidy controversy.

Although the basic commodity index continues to fluctuate around the levels of early April when the President issued his hold-the-line order, the all-commodity index in the week ending June 26 registered the second consecutive decline, which carried it back to March levels. This index now stands nearly 1 percent below the peak reached late last month, although 37.5 percent above the pre-war level of August 1939. The rollback in meat prices was the most important factor in the decline in the index, but seasonally lower prices for fresh fruits and vegetables and a decline in grain prices during that week were also factors.

Farm prices continue rise

Farm prices rose to a new high in June with the index of prices received by farmers attaining the highest level since September 1920. The index has risen almost 26 percent during the past year.

The most important factor in the latest rise was the continued sharp (larger than seasonal) advance in fruit prices, which raised the fruit index 10.4 percent to the highest level for the month during 34 years of record. Prices of grains and chickens and eggs rose moderately. (See Chart 4.) Although most truck crop prices were somewhat lower in June, the declines were very much less than the normal seasonal downturns. Cotton and dairy product prices were slightly lower, and the index of meat animal prices declined 1.4 percent.

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While the index of prices received by farmers rose 1.6 percent from mid-May to mid-June, the index of prices paid by farmers (including interest and taxes) advanced only 0.6 percent. Consequently, farm prices averaged 116 percent of parity as compared with 115 percent a month earlier and 99 percent a year earlier.

Price control developments

The sustaining of the President's veto of the CCC bill last week, together with the House passage of a resolution continuing the life of the CCC until December 31, 1943, indicate that the Government's hands will be freed to some extent in the development of a food production and price control program. However, the conference report on the pending OPA appropriation bill contains provisions which would severely handicap OPA in the enforcement of price controls. The bill would cut \$22 millions from the appropriation requested, would ban standardization of certain commodities, and would require price officials to have had previous business experience in each commodity they administer. Price Administrator Brown warned that price control cannot be continued if Congress adopts the conference report.

The urgent necessity for the Government to develop a coordinated agricultural production and price control program is clearly indicated by the increasing shortages, maldistributions and dislocations in agricultural markets in recent months. Cattlemen are reported to be withholding their steers from the market because of price uncertainties resulting from the subsidy controversy. Farmers in the Middle West are not marketing their corn because of the greater profitability of feeding it to hogs, thus resulting in shortages of corn for industrial purposes and for feed in deficit areas. A prospective fall pig crop too large for our feed resources was indicated by the June pig survey of the Department of Agriculture. Cannerymen are reported to be confused by the present price and subsidy situation. The Hungerford Packing Company, a large Pennsylvania canner, notified its brokers last week that none of the orders for the 1943 pack would be shipped until such time as the picture clears.

Annual rate of income payments still rising

Due to a seasonal drop in interest and dividends, total national income payments showed another moderate recession

- 5 -

in May but the annual rate of payments rose to a new record high of \$141.0 billions. This compares with \$139.7 billions in the previous month and \$111 billions in the corresponding month last year. As a result of the tremendous expansion of the past three years, income payments in May were running about 57 percent higher than in May 1940, when the national defense program was just getting under way.

Reference to Chart 5 will disclose that in May all major groups except "other income payments" (including work relief, direct relief, etc.) showed gains over year-earlier levels, although the rise in interest and dividend payments was only 2 percent. In marked contrast, payments to individuals from Government sources were 53 percent higher as a result of the great increase in military and civilian personnel. Cash farm income (included in "withdrawals from noncorporate enterprises") was 39 percent higher than in May 1942, while payments of salaries and wages to workers in the commodity-producing industries were 27 percent higher.

Steel operations still retarded by coal strike

Although the U. S. Steel Corporation was able to resume operations at 6 blast furnaces last week, 8 furnaces in the Pittsburgh area were still closed down near the end of the period as an aftermath of the recent coal strike. In addition, several blast furnaces in Alabama were also reported still closed down. At last week's sharply reduced operating rate of only 90.3 percent of capacity, the loss in steel tonnage as compared with the previous week would be 126,000 net tons, and the total loss in output before the full effects of the coal strike are finally overcome is expected to run well in excess of that figure. (See Chart 6.)

Due to the slowness of the miners in returning to work after the most recent strike was called off, the steel industry last week was still reported dangerously low in coal and coke, and the Iron Age expressed fear that stockpiles could not be rebuilt to a point of safety again for the duration of the war. In this connection it was pointed out that even prior to the series of strikes, stocks at by-product coke ovens were equivalent to only 5.4 days' supply, in contrast to a 25 days' supply in July 1939, shortly before the outbreak of war in Europe.

Since the steel industry in the first half of 1943 was able to increase production over year-earlier levels by only

- 6 -

2 percent, the additional difficulties caused by the recent coal strikes makes prospects for attaining the additional steel supplies desired by WPE in the second half of the year correspondingly less hopeful.

Coal production dropped in first half of 1943

Although a substantial improvement in coal production undoubtedly occurred last week, near the end of the period around 95,000 miners were said to be still out on strike. Press reports indicate that many of these will return to work early this week. As a result of the recent loss in production, the Solid Fuels Administrator revealed last week that coal production in the first half of 1943 dropped 1,700,000 tons below the corresponding period of last year. In contrast, Secretary Ickes estimates that 25,000,000 more tons of coal will be needed this year than last, thus emphasizing the necessity of a speedy return to maximum production.

COMMODITY PRICE INDEXES IN U.S.

Daily

1942

1943

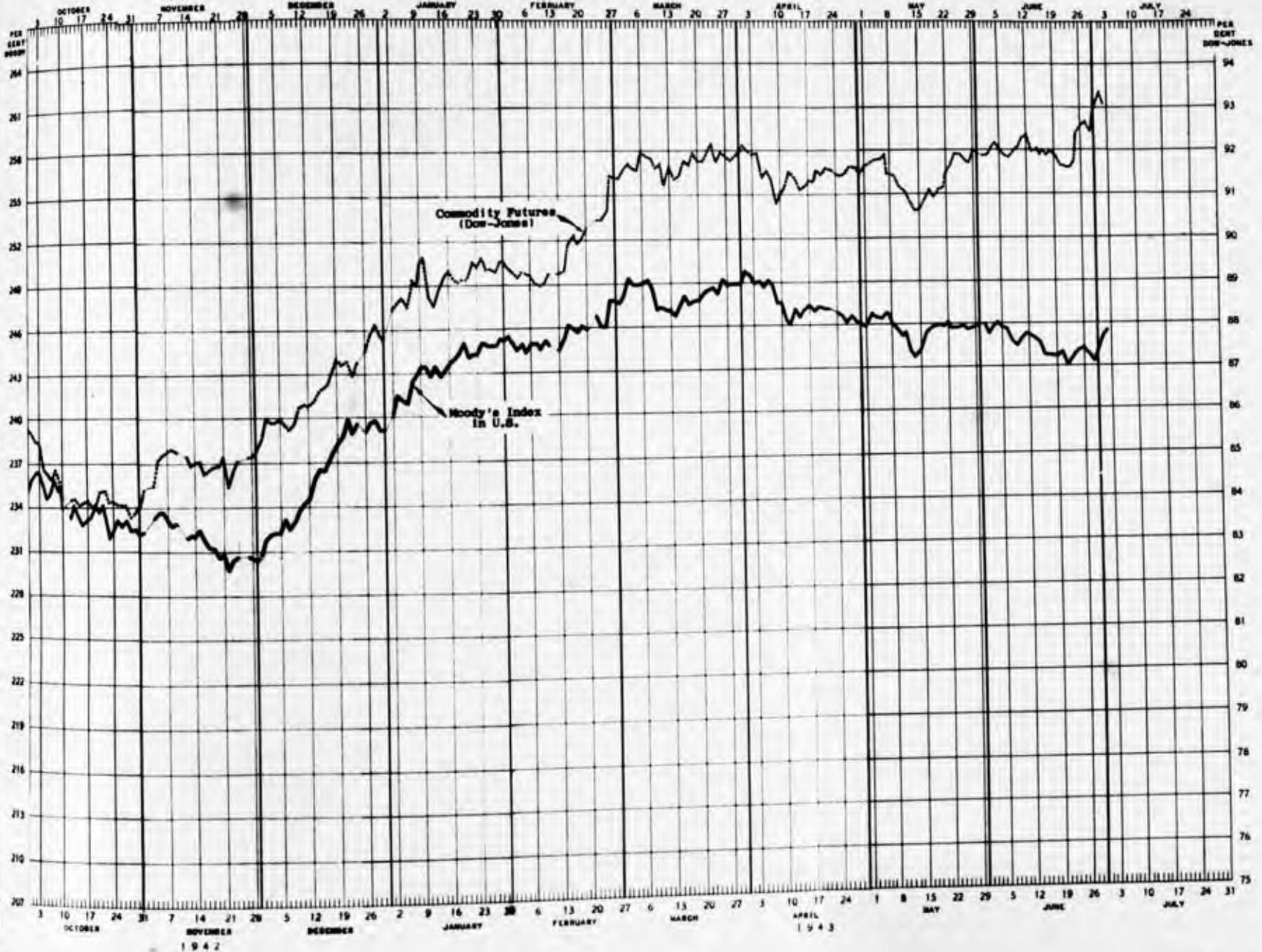
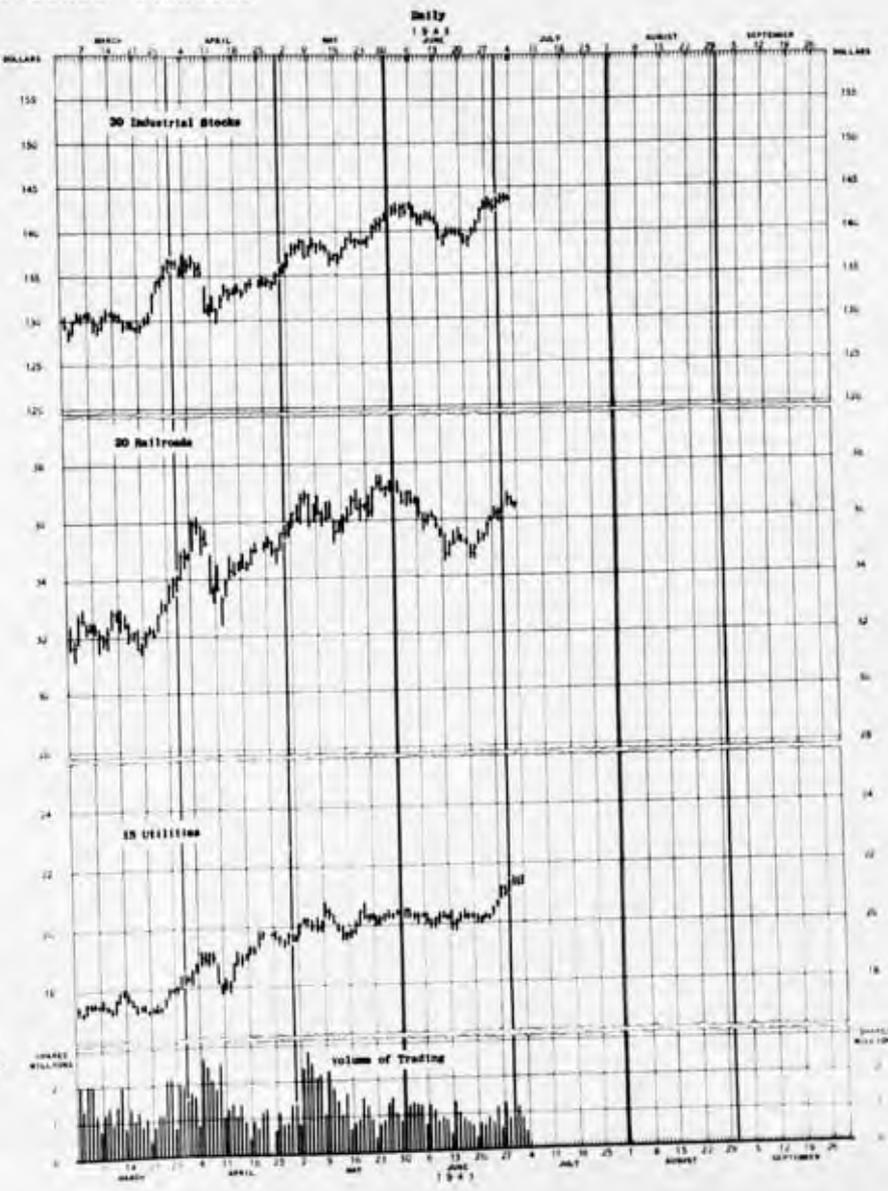
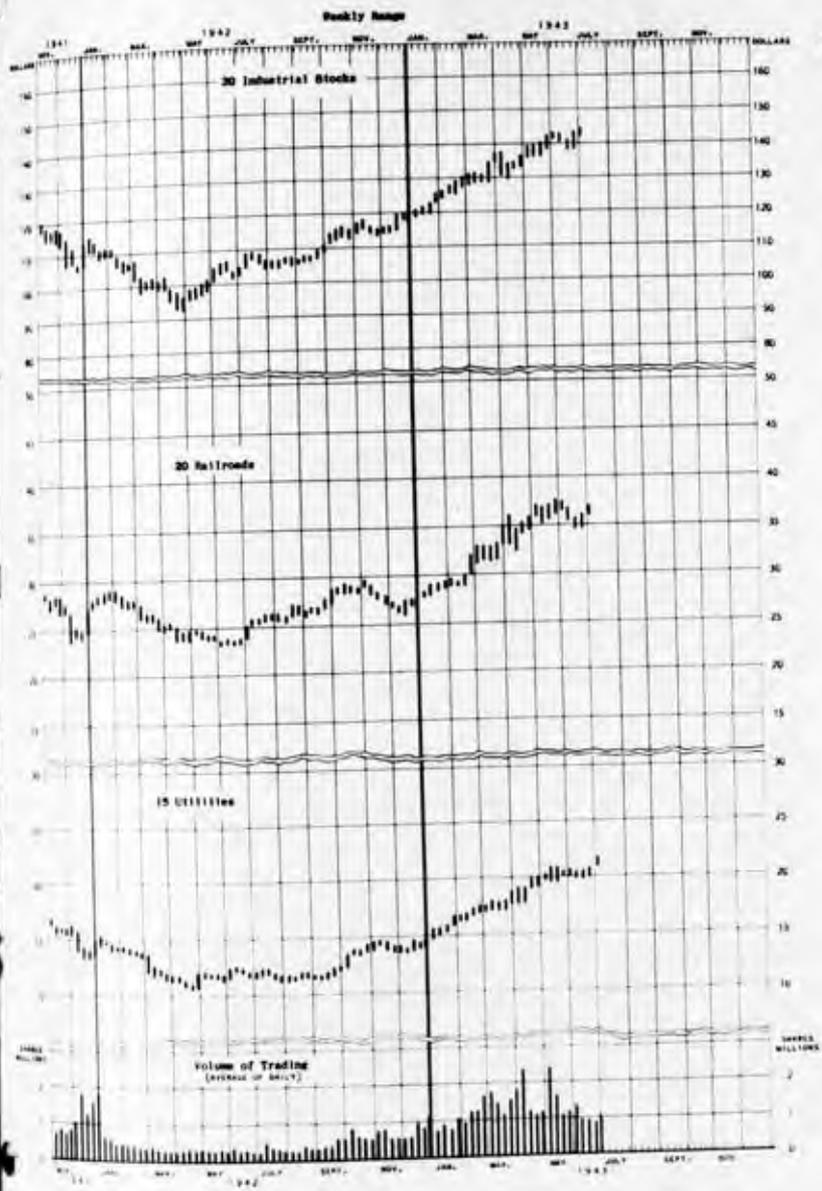


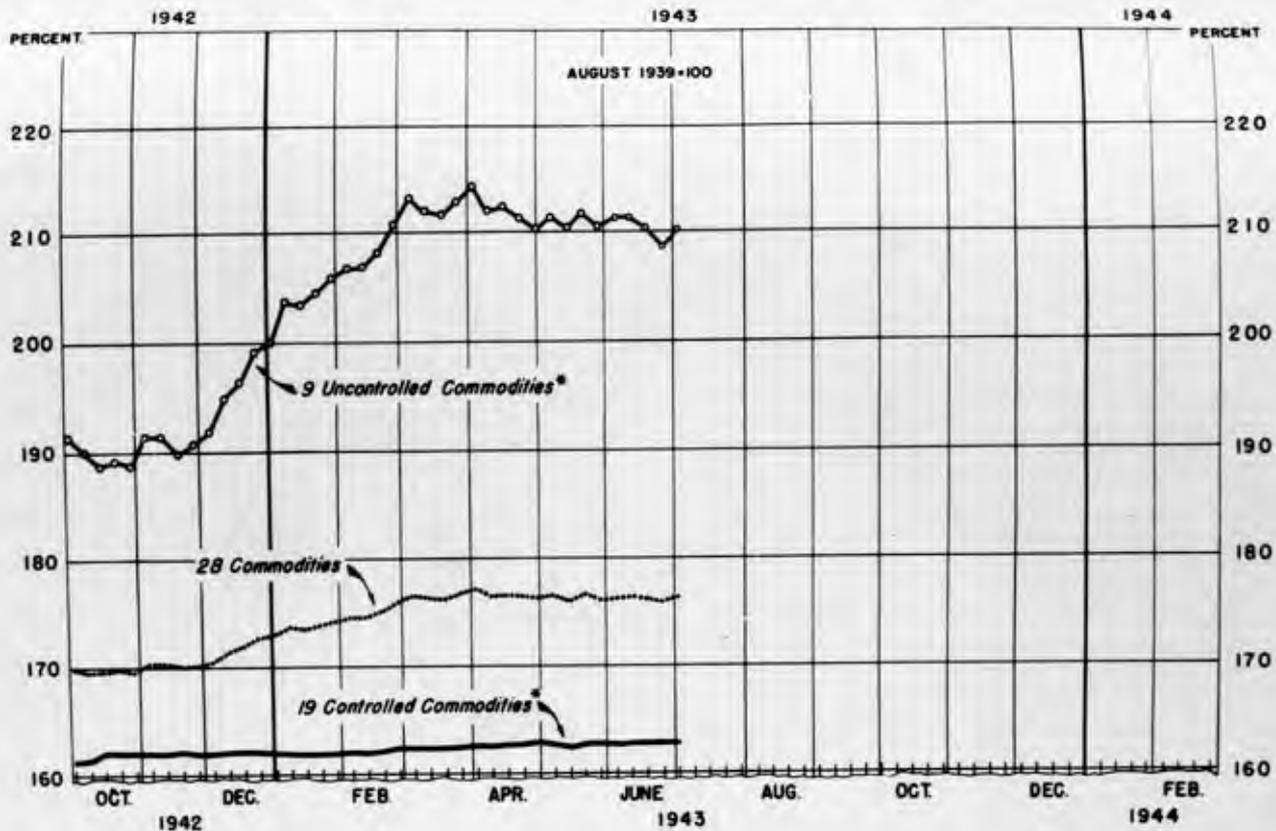
Chart 1

STOCK PRICES, DOW-JONES AVERAGES

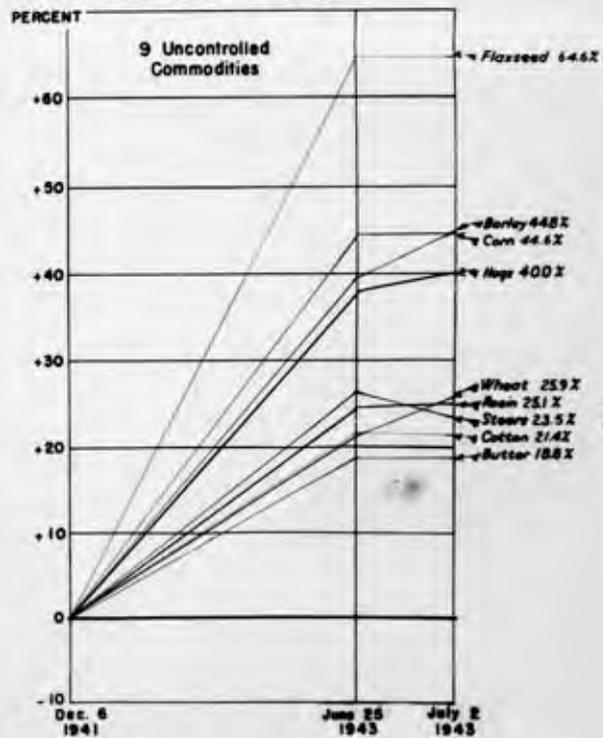
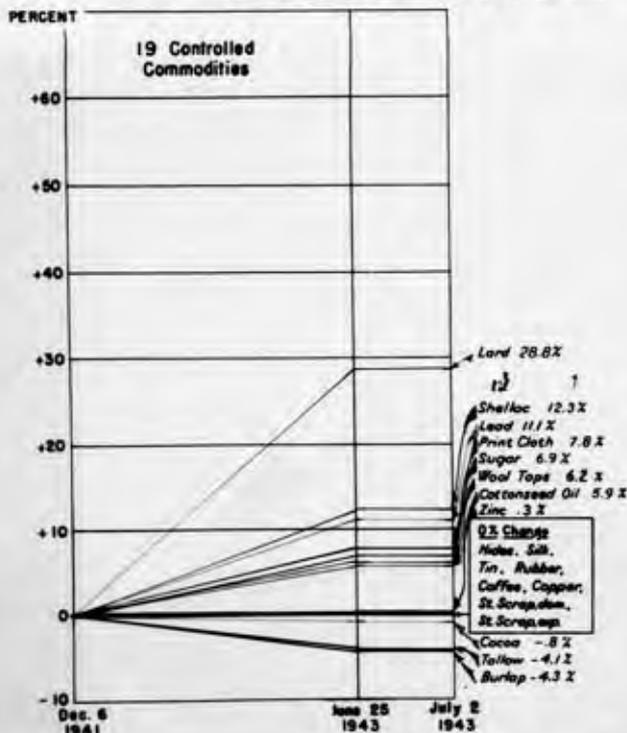
Chart 2



MOVEMENT OF BASIC COMMODITY PRICES



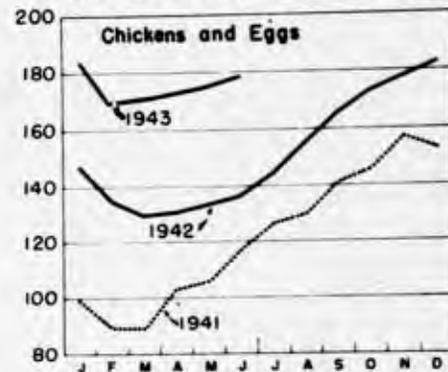
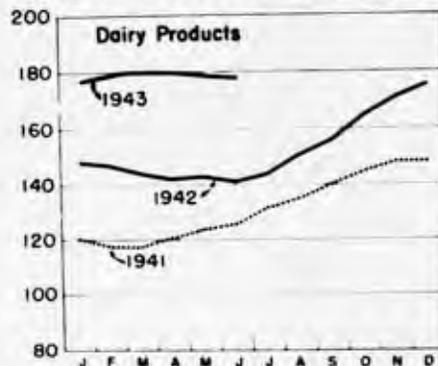
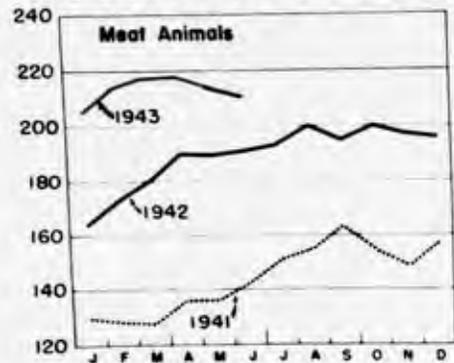
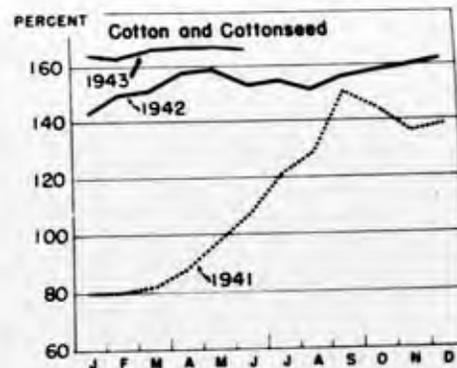
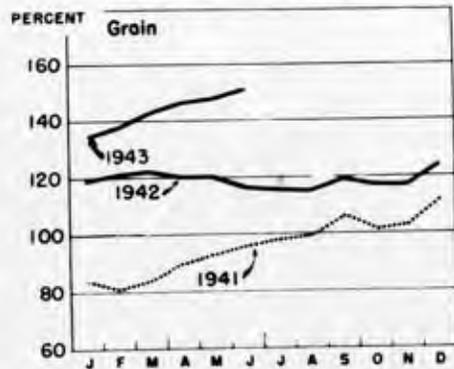
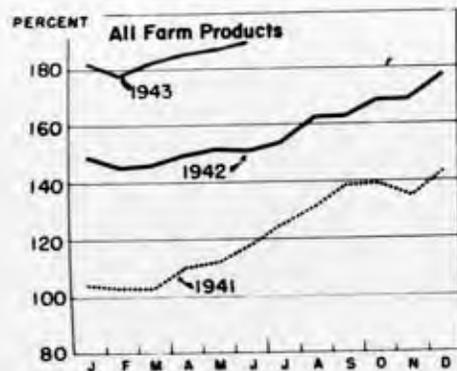
PERCENTAGE CHANGE DEC. 6, 1941 TO JUNE 25, AND JULY 2, 1943



* 20 Controlled & Uncontrolled previous to June 26, 1942

AVERAGE PRICES RECEIVED BY FARMERS

Indexes. August 1909 - July 1914=100



Office of the Secretary of the Treasury
Division of Economic and Statistics

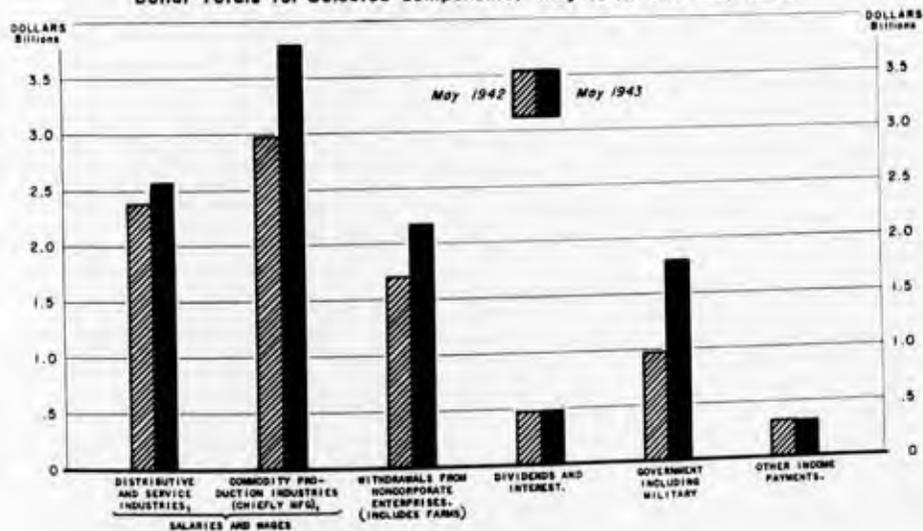
P-257

Chart 4
176

NATIONAL INCOME PAYMENTS AND COMPONENTS

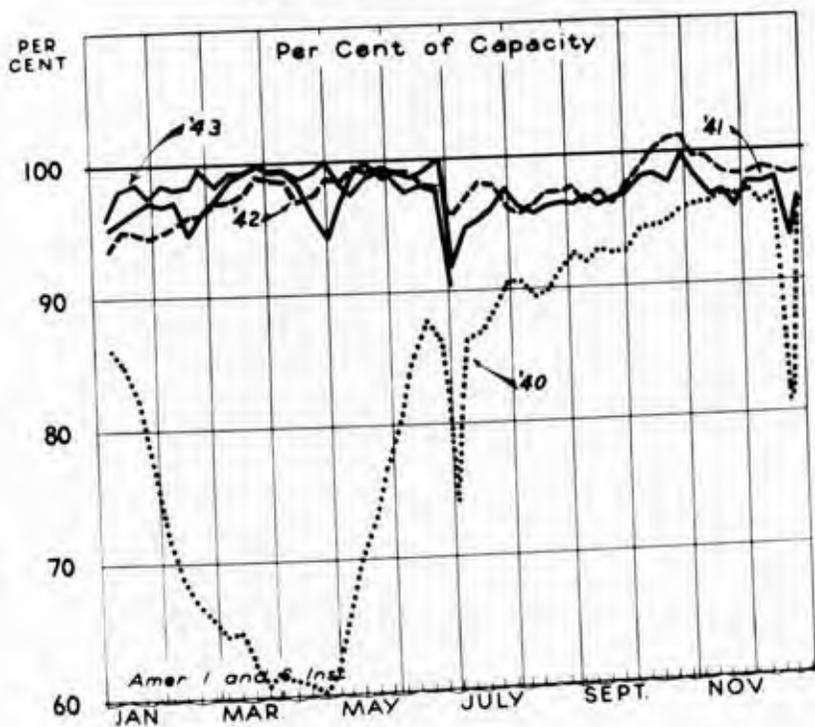


Dollar Totals for Selected Components, May 1942 and May 1943



Source: Department of Commerce

STEEL INGOT PRODUCTION



Office of the Secretary of the Treasury
Division of Research and Statistics

C-419

July 5, 1943.

Dear Harold:

I have given careful consideration to your letter of June 30, in which you ask my opinion as to your suggestion to the President that he create a committee on subversive charges to be composed of five eminent and responsible persons, presumably not now employed in the Government. I think it a good idea for the reasons you outline and you may state that it has my support.

Before reaching a decision I discussed the matter with Assistant Secretary Gaston, who is the Chairman of the present Interdepartmental Committee on Employee Investigations, which would be superseded by the new committee. He agrees that your proposal would be an improvement over the present situation. He tells me that he has devoted a great deal of time and energy, as I know to be the fact, both to the work of the present committee and to that of the predecessor committee set up in the Department of Justice. He thinks that the predecessor committee contributed very little, if anything, to the orderly and just consideration of charges of subversive activity on the part of Federal employees and that he is very skeptical as to the possibility of effective service being rendered by the present committee. This is in part because all of the members of the existing committee are quite fully occupied in the affairs of their own departments and agencies and none of them is especially qualified by judicial or other training to deal adequately with the basic questions of civil liberty raised in these employee investigations.

File to Thompson.

By Messenger *Schuy 10:15 7/7/43*
Photo of incoming and
enclosure and copy of
reply in Diary.

- 2 -

I note that the proposed Executive Order would leave the President entirely free as to the selection of the personnel of the new committee. I would question the advisability of limiting membership to Republicans.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.
Secretary of the Treasury.

The Honorable Harold L. Ickes
Secretary of the Interior
Washington, D.C.



THE SECRETARY OF THE INTERIOR
WASHINGTON

JUN 30 1943

My dear Mr. Secretary:

The President has suggested that I obtain your reaction to a proposal which I made to him last month with respect to the charges by Congressman Dies that there are many "subversive" employees in the Executive branch of the Government.

The present situation is, I think that all will agree, entirely unsatisfactory. After Congressman Dies' most recent charges, the House created a subcommittee of the Committee on Appropriations to give the employees a "hearing." Congressman John H. Kerr is chairman. The subcommittee has adopted deplorable procedures and has produced ridiculous decisions. Neither the employee nor the Department may have a representative present in the secret hearings. The transcripts are not made available and the reports of the Kerr subcommittee do not even purport to give the employee's side of the case. The subcommittee convicts employees on the basis that they once have belonged to organizations loosely described by Congressman Dies as "front" organizations, and most members of Congress as well as the public thereafter take it for granted that the employees are communists. The procedure, in addition to being unfair, is unconstitutional, since the removal of Executive employees is a power committed to the President and not to the Congress.

Whether so intended or not, this smear campaign of Dies and his friends fits into the general fascist propaganda pattern of creating disunity and distrust of the Government. It should be stopped, and I think that it can be.

I do not believe that Dies can successfully be refuted by our ignoring him, or by a continued but inactive assumption by the Administration that Dies is irresponsible and the Kerr subcommittee is gullible. Even if the Senate should prevail upon the legality and the propriety of the attainder rider which has been attached to the urgent deficiencies bill as a result of the Kerr subcommittee finding, or even if it were determined by the President to disregard this unconstitutional rider, and others like it, the Congress and the public generally would still be convinced that Dies' charges are true and that the Administration is protecting communists from discharge. I believe, in other words, that it is a matter of complete indifference to Dies whether the unhappy victims of his irresponsible denunciations are actually discharged. His objective is not a disinterested desire to purify the ranks of Government employees but to smear the President and his Administration, and to discredit liberal or anti-fascist activities.

It can be refuted, in my opinion, only if the employees are cleared by a body which will be free of any suspicion of a desire to whitewash the Administration.

I have, therefore, proposed that a committee of fair-minded and outstanding representatives be created to make general recommendations to the President on the whole

problem of employees denounced as "subversive," and also empowered to hear individual cases. I am convinced that few, if any, of the employees accused by Congressman Dies would in truth be found to have any "subversive" tendencies by any tribunal which made a conscientious effort to understand what it was doing. I attach a draft of a proposed Executive order along these lines.

The Attorney General has been doubtful of the value of such a committee. His disagreement with my proposal is based upon the following considerations: The committee would have only a recommendatory power and its creation would be an admission that something was wrong with the Administration if it were found necessary to set up such an important committee. The individual department heads, if they chose, could set up their own committees of outstanding and disinterested persons but it would seem to be a mistake for the President to do so because it would indicate that he did not have complete faith in his department heads. If there should be an adverse recommendation by the committee which should not be followed by a department head, the matter would become even more involved than it is now.

I wonder if you would be good enough to consider this problem and to give me your judgment on it, so that I may report your views to the President. I would appreciate a prompt reply, since if there is ever to be such a committee it should be created in the very near future. This is because its announcement would be of immense value in breaking the present deadlock in the Congress on the urgent deficiencies appropriation bill.

Sincerely yours,

Harold Z. Peters

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.

Enclosure 2927931.

EXECUTIVE ORDER

ORGANIZING THE COMMITTEE ON SUBVERSIVE CHARGES

By virtue of the authority vested in me by section 1753 of the Revised Statutes of the United States, Title I of the First War Powers Act, 1941 (Public Law 354—77th Congress), and as President of the United States, it is hereby ordered as follows:

1. There is hereby established in the Executive Office of the President a Committee on Subversive Charges, to consist of a chairman and four other members to be appointed by the President. The Committee shall select an Executive Secretary.

2. The Committee shall study the general issues raised by official and unofficial charges of subversive activities or sympathies on the part of officers or employees of the Executive branch of the Federal Government, and shall make recommendations for the orderly consideration and disposition of these charges. The recommended procedures are to be based upon a thorough consideration of the requirements of the Constitution, of fairness to the accused individual, and of prompt and efficacious protection of the interests of the Government.

3. The Committee shall have power in its discretion to hear any case referred to it by the head of any department or agency in the Executive branch of the Federal Government and shall hear any case referred to it by the President. It shall from time to time prescribe rules of practice and procedure to govern the hearing of such cases. Its report or decision in each case shall be made public.

4. Nothing contained in this order shall be construed to limit the authority of any department, independent establishment, or agency to suspend any employee as provided by law, to bar an immediate arrest and the transfer to court jurisdiction of any case in which the Department of Justice finds that such action is warranted, or to restrict the

powers and responsibilities of the Civil Service Commission in connection with its review of disciplinary or administrative action against an employee.

5. The Department of Justice is hereby directed to furnish such clerical, stenographic, and other assistance and supplies as may be necessary to the operation of the Committee. Members of the Committee and the Executive Secretary (unless he should be an officer or employee of the Federal Government) shall receive an expense allowance of \$25 per diem while engaged in their duties under this Order.

6. Executive Order No. 9300 is hereby rescinded and the Attorney General is directed to discharge the functions specified in paragraphs 3, 4, 6 and 7 of that order through such officers or agencies of the Department of Justice as he shall direct.

THE WHITE HOUSE

BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELETYPE REPLY TO REPUBLIC 7860



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

July 5th, 1943.

SECRET

Dear Dr. White:

The gold and dollar figures for June 1943 are as follows:

	<u>Jun. 4</u>	<u>Jun. 11</u>	<u>Jun. 18</u>	<u>Jun. 25</u>
Total Gold	951	950	954	967
Official Dollar Balance	<u>263</u>	<u>309</u>	<u>320</u>	<u>349</u>
Total Gold and Dollars	1214	1259	1274	1316
Scattered Gold	181	181	180	183
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u>1023</u>	<u>1068</u>	<u>1084</u>	<u>1123</u>

Yours sincerely,

A.T.K. Grant
A.T.K. Grant.

H.D. White,
Assistant to the Secretary,
United States Treasury,
Washington, D. C.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

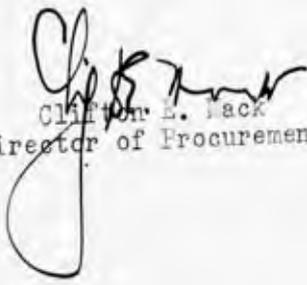
July 5, 1943

OFFICE OF THE DIRECTOR

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of June 28, 1943, the purchases against the African Program from June 28, 1943, to July 4, 1943, totaled \$390,976.30 or a total of purchases for the program thus far of \$46,087,560.14.

Attached is report giving status of shipping against these purchases.


Clifford E. Mack
Director of Procurement



(37861)

SHIPPING REPORT AS OF JULY 3, 1943

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Aluminum sulphate			14.5	
Asbestos sheet packing	2			
Bearings, ball, roller	1		.17	2.12
Blasting caps	1.4			
Belts			5.5	
Boiler tubes			19	
Bone glue	47		10.5	
Books & booklets	2			
Brass rods and sheets	161.74	14.82	36.5	
Rabbitt metal	53.85			
Brick	169			
Cable insulation winding mach.			4.5	
Calcium carbide	2105.89	131		1087.39
Cement				47
Cement, rubber	10.77		21.5	
Chemicals	2640.18	8.4	2063.29	90.7
Coal cutters	12			
Copper, tubing, sheets, rods, cable, and wire	191.03		80.35	71.6
Corrugated boards	106		19.4	22
Clothing	2472.58	20.68	251	43.9
Copper sulphate	5697.7		47.5	
Cotton thread	75.65	23.6		
Cordage & twine	241.55	22.95	32	
Drugs	40.08		1.5	
Electric motors	4.8		4.5	
Electrodes	18.41		5.4	6.78
Envelopes	13.54	2.55	12.68	
Files, steel	15	15	.4	
Rollers earth	72			
Latex	1	1	2	

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Awaiting Vessels</u>	<u>Tonnage En Route To Port</u>
Glass, window	99.6		21	217.76
Glass, lamp chimneys			17	
Glycerine	12.75			
Grass hooks	1.27			
Hooks, eyes, buttons, needles			17	6.5
Horse shoes & nails	197.31	29.91	30.06	10.72
Hosiery	31.56		22.6	
Jute bags	751.19	33.55	555	
Lamps	5.18			
Light bulbs & sockets	11.83		13.7	13.8
Lithopone	10.2			
Lumnite	30			
Mach. finished book paper	2			
Matches	394.38		16.9	62.35
Newsprint	1529.13		66	100
Nipples, bottles, eye cups			9	
Oil, insulating		9.5		
Padlocks			2.5	
Paper products	889.58		247.52	317.24
Paper bags	95.32	190.6		
Paint pigments	28	33.5	13.2	1
Piece goods, textiles	11,999.22	21.5	1421.8	1747.45
Pig iron	65	490		121
Pig tin	64			
Powdered milk	119			
Printers ink & supplies	11.5			
Raw sugar	1545			
Refined sugar	4136.5			
Shoe tacks	19.34			
Spare parts for autos, tractors harvesters	142.70		380.65	659.42

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Spark plugs	4.5	5		.2
Spiegeleisen			161	
Storage batteries & flashlights	69.27		64.54	
Steel, pipe, bars, angles, wire	3860.66	65	4118.72	1109.63
Shoes, boots & soling	338.06	75.75	285.68	182
Sulphur commercial flour	184	2179	785.2	3362.5
Tin plate	845			
Tires, tubes & tape	274.64	85	177.8	343.56
Tools	306.07	27.9	417.23	657
Tooth brushes			.75	
Tea	171.75			
Trucks	229.8	150	105.5	22.46
Typewriter ribbons		.5		
Wire cloth	3.45		3.5	
Wire nails	100.5			
Wire rope	88.5		17	7
X-Ray film	1		18	
Brake fluid	.2		2.07	
Zinc rolled sheets				27.5
Grain drills				22.46
Pump installations	12.85			
Welding rods	.31		1.18	13.62
Sodium silicate glass			28	
<u>Totals</u>	<u>43,018.75</u>	<u>3,705.72</u>	<u>11,337.5</u>	<u>9,996.66</u>

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH LOST SECRET
U.S. SECRETOPTEL NO. 217

Information received up to 7 a.m., 5th July, 1943.

1. AIR OPERATIONSWESTERN FRONT. 3rd/4th. 1,808 tons dropped on COLOGNE.

4th. Fortresses (B 17) operated in excellent visibility against LA PALLICE U-boat installations. 127 tons with fair to good results; LE MANS (Aero Engine Works) 230 tons with good results; NANTES (Aircraft Assembly Works) - 130 tons with good results. Escorted Mitchells (B 25) bombed targets at AHIENS. Mustangs (P 51) damaged escort vessel and coastal ship off FRISIAN ISLANDS. Escorted Beaufighters set fire to 4,000 ton ship off NORWEGIAN Coast. Casualties in day operations: Allied - 3 Bombers, 5 Fighters. Enemy - by Fighters - 4, 0, 3.

4th/5th. Aircraft despatched: Sea-mining - 13, DUISBURG - 3, Leaflets - 4, Intruders - 6, Anti-shipping - 1.

ITALY. 2nd. Liberators (B 24) dropped 60 tons bombs at SAN PANCRAZIO Airfield, Southeast ITALY.

SICILY. 3rd. Escorted Spitfires bombed BISCARI Airfield.

OFFICE
SECRETARY OF TREASURY
03 JUL 6 AM 11 30
TREASURY DEPARTMENT

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, July 6, 1943.

Press Service
No. 37-42

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the cash offering of 1-1/2 percent Treasury Notes of Series A-1947.

Reports received from the Federal Reserve Banks show that subscriptions aggregate \$19,544,000,000. Subscriptions in amounts up to and including \$100,000, totaling about \$1,347,000,000, were allotted in full. Subscriptions in amounts over \$100,000 were allotted 7 percent, on a straight percentage basis, but not less than \$100,000 on any one subscription, with adjustments, where necessary, to the \$1,000 denomination.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

-oOo-

July 6, 1943.
9:21 a.m.

HMJr: Hello.

Operator: Mr. Jones.

HMJr: Hello.

Marvin Jones: Hello, how are you?

HMJr: I'm all right, Marvin. How are you?

J: Oh, I'm going around and around I guess. I'm just waiting until they can get some of this stuff - uh - cleared up there on what they're going to do temporarily.

HMJr: Do you think it will....

J: Well, you can't - you can't go up there - they won't - uh - they're - they've got this fight on, you know....

HMJr: Yeah.

J:and the President wanted that - apparently wanted that - that particular roll-back to stick.

HMJr: Yeah.

J: I can't go up there without complicating that until this thing is over.

HMJr: I had lunch with him Saturday....

J: Uh huh.

HMJr:and told him all about our conversation on Friday....

J: Uh huh.

HMJr:and he was very much pleased.

J: Uh huh.

HMJr: He said he was going to talk to you. I don't know....

J: Well, he did talk to me, but he - he wanted just to take this price thing, you know, straight....

HMJr: Yeah.

J:Well, I - here's where I'm handicapped....

HMJr: Did he call you Saturday night?

J: Yeah, Saturday afternoon.

HMJr: He promised me he would.

J: Yeah, he did and I talked to him about ten minutes.

HMJr: Well, then he was a good boy.

J: Yeah, he's fine and I appreciated it. The only thing about it is this, and I didn't - is he still up there?

HMJr: Uh - yeah.

J: Well, now here's the thing about it - that whole thing, Henry....

HMJr: Yeah.

J:Uh - he's had this veto message and he's on the spot on that. He's - that line's got to be held on that - on that roll-back thing.

HMJr: Yeah.

J: This other, you know - if I went up there - until that's settled - that is, until they get this resolution through....

HMJr: I see.

J: There isn't much, you know - to go up - that I - that I can do without complicating that thing.

HMJr: Uh huh. But you found him about the way I said you would?

J: Yes, I was - I was amazed - I didn't - I didn't mention this particular thing I'm talking to you about now....

HMJr: No.

J:because we talked about the general program for the teacher, you see....

HMJr: Yeah.

J:but....

HMJr: But, you didn't find him wedded to roll-back forever?

J: Why, I - I - there wasn't much said about that, except that I didn't - I didn't get the impression - I didn't want to talk over the 'phone.

HMJr: Yeah.

J:because you never know who's listening. I didn't want to....

HMJr: Well, they have a control up there. They have a scramble and unscramble - they - nobody can listen in - that's a controlled phone.

J: Well, if I had known that, I would have - I would have talked more freely....

HMJr: No, you can talk - you can talk freely on that 'phone.

J: Well, what I - what I was - what bothered me - you can see - you see that he has vetoed this thing....

HMJr: Yeah.

J:on this roll-back that had actually been....

HMJr: Yeah.

J:passed....

HMJr: Yeah.

J:Uh - now I'm going to, as I told Justice Byrnes and all of them - I said, "Now, I'm opposed to any further roll-backs."

HMJr: Yeah.

J: "And at the proper time, unless somebody throws a halter around me and chokes me, I'm going to say so."

HMJr: Good.

J: I'm for holding the line....

HMJr: Good.

J:on prices.

HMJr: Wonderful. Now let me ask you a question. Let's say that this thing goes through the way I read about it in the papers, you get seven hundred odd million dollars....

J: Yes.

HMJr:uh - could you, for instance, if you wanted to, buy one of the essential foods outright if you wanted to?

J: Oh, yes, I could do that. I've got the authority to do that....

HMJr: You could?

J:under that AAA - no - under that Commodity Credit thing. I say, if it goes through, you know, you never can tell what that bunch is going to tack on before they get through.

HMJr: But the way it is now, you could do something?

J: Yeah, the way - the way I understand it is now - the way - the way the Commodity Credit is set up now, I could. Now, if they don't handicap it by this resolution some way....

HMJr: Now, isn't beef about the worst?

J: Well, beef's about the worst. That's true.

HMJr: Yeah.

J: Uh - I don't know - I doubt whether we'd have - uh - money enough....

HMJr: Yeah.

J:in this thing to do that on the beef. I think though - I'll tell you - we're going to do something about hogs, and I think we're going to work out something on beef that will - uh - get this thing to flowing. If we don't, why there isn't any other choice but to go in there and take charge of it. And that's what....

HMJr: Yeah. Well....

J: It's such a tremendous proposition....

HMJr: Well, you....if you don't mind....

J:never do it if we can find some other way to do it.

HMJr: Do you mind if occasionally I call you up?

J: No, sir. You shoot the works at me anytime.

HMJr: Now, one other thing - uh - I'm preparing a little memorandum on the personal experience I had....

J: Uh huh.

HMJr:where a co-operative in our valley was trying to get some prices on some fruit....

J: Uh huh.

HMJr:and what those people had to go through here in Washington to get somebody to tell them what the price is-it's just damned nonsense....

J: Uh huh.

HMJr:and I'm going to have this little memo fixed up and I want to send it to you.

J: Yeah. Well, I want - I want this whole thing - if I can get O.P.A. to go along - to be simplified. Damn it!

HMJr: Well, look....

J: And a lot of it left to local committees and community committees.

HMJr: Well, that's what the President wants....

Operator: Operator.

HMJr: Hello.

J: All right.

HMJr: That's what he's keen for.

J: Yeah.

HMJr: He wants as much local economy as possible.

J: Well, that's what I want and I'm going to - I'm going to try to break down this organization into a lot of State and local control. Now, I may get shot at sunrise but they're not going to - as long as I'm in here I'm going to (Laughs) have something to say about it.

HMJr: Well, if you'll let me help, I'd like to - in the background, I mean - nobody will ever read about me in the newspapers....

J: All right, and I may want you to help me contact - now, I want....

HMJr: You'll never hear about me in the columns of the newspapers.

J: All right. Fine. That's - I know that's true and....

HMJr: You mean, you'll never....

J:I know you'll be helpful and I know I can trust you....

HMJr: All I want is to....

J:now let me ask you, Henry....

HMJr: Anything you want.

J: Let me ask you, Henry - about this - the President didn't - he wasn't - it wasn't his notion that I should just come over here and take orders from the other bunch, was it?

HMJr: Well, now, that I - I didn't get on that yet.

J: You didn't?

HMJr: No, Marvin.

J: I don't mean - I don't mean that I'm going to give them a circus and all that, but if he wants this job done....

HMJr: Well, Marvin, could you - could I put the thing to you on a different basis - the way you put it to me....

J: All right.

HMJr: What?

J: Yeah.

HMJr: May I put it a little differently?

J: Yeah.

HMJr: If I was sitting in your shoes, and had your responsibility - see?

J: Uh huh.

HMJr: I'd cut all corners to get them.

J: Yes, sir.

HMJr: Does that answer....

J: Yes, that's - that's all I want to know. (Laughs)

HMJr: What?

J: That's all I want to know. Of course, I don't mean - of course, I - I - I - I'm going to try to do the thing the practical way....

HMJr: Yeah.

J:I'm going to try to get along every way that I can.

HMJr: Sure, but you can keep Byrnes and Vinson informed - but if I was sitting there in that hot seat....

J: Uh huh.

HMJr:~~By~~ God, I'd get to the Boss and find out - uh - what he wanted....

J: Yeah.

HMJr:and I'd be as courteous as possible but I certainly wouldn't sit back and - I mean - I can only tell you what I would do, see?

J: Uh huh.

HMJr: But I didn't discuss that end of it with him.

J: Well, let me ask you this....

HMJr: You can ask me anything you want.

J: He - he has some little confidence in my judgment about....

HMJr: Definitely.

J: I - what I....

HMJr: Well, now....

J:if he just wants me to be....

HMJr: No - well, the answer was, Marvin, I took - I stuck my neck way out....

J: Uh huh.

HMJr:and he had a lot of people around there and I sent word that I wanted to see him, and he had social people and he asked them to go away and he gave me three-quarters of an hour, and I told him - I didn't turn my sails one bit - see?

J: Uh huh. All right.

HMJr: And instead of - I told him the facts - I told - I went so far as to say that you hadn't even seen the veto message. (Pause) Hello?

J: Hello. I hadn't seen the veto message.

HMJr: You had?

J: No.

HMJr: Well, I....

J: Now, there was - they had told me - of course, I was busy and....

HMJr: Well, I understood you hadn't.

J:and I hadn't seen it. No.

HMJr: You had not?

J: No. I had not seen it.

HMJr: Well, I don't understand - did you or didn't you see it?

J: I did not.

HMJr: Well, I told him that.

J: I - I didn't make any particular effort to see it.

HMJr: No.

J: But I - it wasn't shown to me.

HMJr: No, but then....

J: I - I - I don't want to make an issue of that. I guess I could have seen it....

HMJr: Look, Marvin, what I'm telling you - just between you and me - the point made - when I went up there on something that he could have very well told me that it was none of my damned business....

J: Yeah, I understand.

HMJr: ...and he could have had - he broke up - the middle of a social party to listen to me give him a hard luck story - see?

J: (Laughs) Yeah.

HMJr: And he was never nicer than he's been in years to me.

J: Uh huh.

HMJr: Now, that ought to give you an idea.

J: Yeah. Well, I thank you.

HMJr: What?

J: It does. All right. Well, I thank you very much. It always is....

HMJr: He never was nicer and I urged him and then I followed up with a little reminder - uh - about calling you and evidently he did it and....

J: Yeah. He did it. He talked to me ten minutes, I guess.

HMJr: Well, the man's - the man's - the man's harried, he's overworked. He wants results....

J: Yeah. All right.

HMJr: He wants people who will take responsibility and give him results.

- 10 -

J: Uh huh. All right.

HMJr: Is that enough?

J: That's enough. Thank you very much.

HMJr: Good bye.

July 6, 1943
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. Sullivan
Mr. Thompson
Mr. Gamble
Mr. O'Connell
Mr. Gaston
Mr. Blough
Mr. Smith
Mr. Haas
Mr. White
Captain Kades
Miss Chauncey
Mrs. McHugh

H.M.JR: I just thought we might kind of get acquainted again. I have been seeing you all at odd moments. I would like to tell you about a couple of things I am doing.

In the first place you are all interested - Mrs. Morgenthau's temperature has been normal now two days. She is terribly weak. It will be a long pull back, but it looks as though she were over it.

Blough came up to see me yesterday, and I think he and I together worked out a pretty good, all-around inflation program. It is particularly interesting, and I think we have a little wrinkle on the white-collar people. I thought it would help me - he said, "As long as we get up in the higher salary, no." He is a tough guy; but I think we have something.

What we are shooting for - I want to hold all Friday morning free beginning at nine o'clock. I know I am going to go to school, and I invite the rest of you.

- 2 -

Now, this is concentration on the personal income tax. We are not going to take up the corporate tax at this time. Is that right, Roy?

MR. BLOUGH: That is right.

H.M.JR: You might tell Mr. Paul what we are doing. If he wants to come in on a postman's holiday, he can; but we are aiming - then Roy goes away for a week. I think we have something, and we are including the whole waterfront.

In other words, what I want is a complete program which I would like to present to the President which I think will do the job for '44, and criticism - friendly, constructive criticism will be invited. (Laughter) May I repeat, friendly, constructive criticism. Please leave your tomatoes at home. (Laughter)

MR. SULLIVAN: At least, take them out of the can.

H.M.JR: And your eggs. (Laughter)

But I think we have something. We certainly have something new, and I am going to be working on it most of this week. And don't hesitate, Roy, and Haas, and the rest of you people. Now, we won't do the corporate side this week; we can't hit the corporate side. If we can do the individual, I think we are going somewhere. You ought to begin to have something for me tomorrow, Roy.

MR. BLOUGH: All right.

H.M.JR: Now these fellows Smith and Lindow, these chartists, you see - they have been fussing around here for a couple of weeks. They ought to be able to show something by now.

MR. SMITH: They are coming. They expect to have them done the end of this week.

H.M.JR: They have got to move a little faster.

George, you see what they are doing.

- 3 -

MR. HAAS: I am putting on all the pressure I can.

H.M.JR: I think after this meeting if you and Roy and White would just get together - are you busy, Harry, at ten or ten-fifteen?

MR. WHITE: I am supposed to be here. That can be changed. (Laughter)

H.M.JR: What are you doing here? Oh, well, that is not important. (Laughter) I tell you what I will do with you - what are you doing around eleven-thirty?

MR. WHITE: I have called a meeting on that - from eleven-thirty to twelve would be all right.

H.M.JR: Would it?

MR. WHITE: Yes.

H.M.JR: Will you swap?

MR. WHITE: Yes, eleven-thirty to twelve would be all right.

H.M.JR: All right, let's swap.

Now while we are doing the individual we have to do the corporate thing, too. And now that Kades has solved the problem of Commodity Credit - and in this room - particularly in this room, I was very much pleased.

I had lunch with the President Saturday. I sent word to him that I wanted to see him, and I had given a lot of thought - I just went to town - this is very much in the room. I told him that I had lunch with Marvin Jones and Hutson Friday, and here this veto message had gone up on the Hill and Marvin Jones never even saw it.

Marvin Jones thought the President was for the roll-back, which I knew the President wasn't, and I was very much pleased with Marvin Jones' attitude. He was good in '32, and he is a great deal better now. He is a very broad-gauged fellow, and he agrees with me. (Laughter)

- 4 -

I mean, I had unpleasant things to tell the President. He received it extremely well and was nicer to me than he has been in a long time. And I have just checked now with Marvin Jones. He called Marvin Jones two hours after I left. But Marvin Jones - in just a short time he had been blocked off by Byrnes and Vinson and just couldn't get to the President. And I urged him to go direct. He knows - he has got enough money now to hold this thing, and just as soon as legislation is passed - I mean, he is very much in favor of the Kades-Morgenthau plan wherever necessary, of buying entire steers, take your loss at that point, and then let them go down the line - the processors - on the control - on the licenses. If anybody goes in the black market, you don't have to go into court. His license is revoked at the time. Instead of doing it from the butcher back, do it right at the place where you buy the whole crop.

If anybody is interested, Kades gave the President via me - and then we gave it to Jones and Hutson - a memorandum - a two-page memorandum, which Hutson said was by far the best thing he had ever seen, much better than anything in his own shop, and O'Connell and five of his people have been assisting Kades.

We are again on the level where I like to be, where we are giving stuff to the President. I haven't been able to do this in months - able to give him stuff and be just a little bit ahead of the crowd; and it puts me back again. I have the ideas, but I have been in the unfortunate position - I have had nobody to carry them out. And it has hurt my position with the White House, because I haven't been able to give the President stuff.

With the help of the boys in the General Counsel's office, if you don't mind my saying so, Joe, under leadership of Kades, I have been able to get stuff the last two weeks which has enabled me to render a service to the President - what I always used to do and what I haven't been able to do. I have the ideas, but nobody to carry them out.

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I mean, I had unpleasant things to tell the President. He received it extremely well and was nicer to me than he has been in a long time. And I have just checked now with Marvin Jones. He called Marvin Jones two hours after I left. But Marvin Jones - in just a short time he had been blocked off by Byrnes and Vinson and just couldn't get to the President. And I urged him to go direct. He knows - he has got enough money now to hold this thing, and just as soon as legislation is passed - I mean, he is very much in favor of the Kades-Morgenthau plan wherever necessary, of buying entire steers, take your loss at that point, and then let them go down the line - the processors - on the control - on the licenses. If anybody goes in the black market, you don't have to go into court. His license is revoked at the time. Instead of doing it from the butcher back, do it right at the place where you buy the whole crop.

If anybody is interested, Kades gave the President via me - and then we gave it to Jones and Hutson - a memorandum - a two-page memorandum, which Hutson said was by far the best thing he had ever seen, much better than anything in his own shop, and O'Connell and five of his people have been assisting Kades.

We are again on the level where I like to be, where we are giving stuff to the President. I haven't been able to do this in months - able to give him stuff and be just a little bit ahead of the crowd; and it puts me back again. I have the ideas, but I have been in the unfortunate position - I have had nobody to carry them out. And it has hurt my position with the White House, because I haven't been able to give the President stuff.

With the help of the boys in the General Counsel's office, if you don't mind my saying so, Joe, under leadership of Kades, I have been able to get stuff the last two weeks which has enabled me to render a service to the President - what I always used to do and what I haven't been able to do. I have the ideas, but nobody to carry them out.

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The President was pleased. I don't know whether Mr. Byrnes is pleased, but I don't give a damn. But anyway, Mr. Jones is, and I just had a very satisfactory talk, and I think we had a little something to do with it. As the President said, if they hadn't sustained his veto - that was the last straw. He said that that was his last line of defense. He said, "I would have been cleaned up, finished on the inflation front."

Now, what I have asked Kades to do - and I find that different people around - and I am going to try to get - if you find out who this businessman was in Brooklyn--

MR. O'CONNELL: I am just having his name checked. I think it is Murray. I thought Miss Chauncey might know.

H.M.JR: We asked CIO to recommend a number of people, amongst them Wilson of General Electric and a man who had been in charge of the reorganization of the IRT or BRT of Brooklyn. Do you remember, Harry?

MR. WHITE: I remember the man, and I can get his name. I remember him very definitely.

H.M.JR: Would you take that, Harry?

MR. WHITE: Yes.

H.M.JR: I mean that assignment.

MR. WHITE: Yes, the man you once considered in the past - about a year ago.

H.M.JR: I thought I would look him up again; he might be helpful.

Anyway, there are two phases here. Nelson was over here on one - both phases. One, he wants the Treasury to get aggressive on getting the power to dispose of surplus after the war, and he says that we are just a bunch of sissies around here, we don't fight.

MR. SULLIVAN: I disagree with him. As a matter of fact, I had a talk--

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H.M.JR: Well then--

MR. SULLIVAN: ... before you talked with him.

H.M.JR: Well anyway, let's say that I am a sissy.

MR. SULLIVAN: The fact of the matter is that there is now pending in the Congress a bill that has passed the House which probably will not be taken up by the Senate until after the recess. That confers by statute upon us the power to dispose of surplus commodities just as we are now doing under executive order.

I think that there are two things for us to do, to do a good job on that work and also do the necessary planning for the other; and if we do both those things well, it will have to come to us.

H.M.JR: Well, you may or may not know this, Nelson tells me that Forrestal has set up a complete organization in the Navy ready to go, to do this job. Did you know that?

MR. SULLIVAN: I knew that they were planning on something of that kind.

H.M.JR: The Army wants to do the same. He has a complete organization. He says that his own people do, and the Maritime Commission, and he doesn't want any of them; he wants it here. Now on that front I am not asking Kades to do anything, because, frankly, I am not awfully excited about it, see.

MR. SULLIVAN: I think it is one of the most important jobs that is to be done.

H.M.JR: Will you carry that?

MR. SULLIVAN: Yes, sir.

H.M.JR: And will you talk with Donald Nelson about it?

MR. SULLIVAN: I have already arranged it.

H.M.JR: I am not terribly excited about it - about being the Government's junk man. That is what it amounts to.

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MR. SULLIVAN: There is more to it than that.

H.M.JR: All right. I am more than willing to back you up if you will take the leadership, but fight.

MR. SULLIVAN: If we could find a half a billion dollars' worth of things that are virtually surplus to the Army and Navy today that the civilian economy needed and could shake them loose and get them distributed, it would be doing just as much in your fight against inflation as selling an extra half a billion dollars' worth of bonds.

H.M.JR: All right, will you accept that?

MR. SULLIVAN: Then I think you would get excited.

H.M.JR: I didn't give you that?

CAPT. KADES: No.

H.M.JR: The one I am giving you, Chuck - he says he didn't know anything about it. (Laughter) That is why I selected him. He isn't prejudiced. The other one is we are going to start with Guy Vaughan's Curtiss Wright, which I haven't had time to look at, George, see. And we are going to begin to look at these - the financial setups of these companies. And that is why I want a businessman here who has no business connections, to advise us and take people like Curtiss Wright - take people like some stove company that is making machine guns and examine their financial status - what can we do to reassure these people who are beginning to get worried and beginning to take their mind off the war production as to how they can convert back to peacetime. Now, that is important on the tax front.

Blough said he has made some studies; White has made some studies. I am sorry to say that I couldn't read them over the week end, but I would like you to furnish them to Chuck, Harry.

MR. WHITE: I don't know if they were right on that problem, but they are related, certainly.

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H.M.JR: I haven't read yours so I don't know, but what I want to do is to take a half a dozen or a dozen typical companies and examine their financial status today, and what do they have to do to get themselves out of producing war goods and back to peacetimes.

As Donald Nelson said - he frankly said he has got nobody in his shop that is doing it. He said he had Kanzler, Henry Ford's brother-in-law, and he has gone back to look after Edsel Ford's estate, so he has got nobody.

Mr. Baruch was over here the other day for two hours with John Hancock. They said that it has to be done. Nobody is doing it. They are interested. I am interested.

I spoke to the President about it and the President said that it is all right for me to go ahead with it but to be careful because he said he had been approached, and he said he doesn't want to get the people's minds off producing for war.

But the way I feel is, if we don't do something they will get their minds off production because they will be worrying about what is going to happen to them, but if they had a plan and knew that there was a plan - and again quoting Nelson, he said it was criminal that this Government had not had a plan to convert industry to the war. He said we didn't get shot, but he said that if we don't have a plan to convert back to peacetimes, it is inexcusable, because we have plenty of time.

MR. SULLIVAN: I think, Mr. Secretary, that everybody who is working on that should be very hush-hush, because there is a great deal of pressure on Congress to allow all kinds of tax credits for reconversion, and if they find out that we are disturbed about this thing, they are certainly going to go to town.

H.M.JR: Listen, if I can't work - nobody - I doubt whether most of the people in this room knew that I was doing a lot of work on Commodity Credit. Did you know?

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MR. SULLIVAN: Yes.

H.M.JR: But I mean, it isn't going to get out, and it is the same way--

MR. SULLIVAN: I merely mention that.

H.M.JR: Kades has been loaned to me by the National Association of Manufacturers. (Laughter) We will do this thing in a very quiet way and let nobody know about it but the National Association of Manufacturers. (Laughter)

MR. SULLIVAN: The reason I mentioned that is if we bring in a lot of outside agencies--

H.M.JR: Now, listen; don't worry - don't worry. Just the fact that it is a hot potato - nobody has done it - this is the kind of thing that I used to do and I am going to begin to do now that I have got some new fingers to my hand.

MR. WHITE: There is a big organization which you may know about. It has given itself a lot of publicity under the auspices of the Department of Commerce - a Mr. Hoffman is chairman - they have committees all over the country. They have done a great deal of work. How good it is, I haven't the slightest way of knowing. They conducted an awful lot of meetings. It is a very large organization whose primary purpose and function is--

H.M.JR: I don't--

MR. WHITE: I want you to know about it.

H.M.JR: I don't say nothing is being done; I say nobody seems to be on top of it in the Government.

MR. WHITE: That is under Government auspices. I don't know how good their work is, or anything.

H.M.JR: Is Mr. Jones still in the Government? (Laughter)

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MR. WHITE: Yes, but he is not - he was last night--
(Laughter)

H.M.JR: Well, anyway, anybody - Kades has gotten so good he can tell you how much an ounce of corn will produce in the way of pork and what the squeal weighs. (Laughter) I mean, he has gotten to be a real expert.

MR. WHITE: On pork. (Laughter)

CAPT. KADES: Bourbon, too. (Laughter)

H.M.JR: With the help of Haas' people, and the General Counsel people - I am giving him this job, so if anybody has any ideas, talk to him, and he sees me a couple of times a day.

And the other thing that you people may or may not know - if not, I wish Haas would show it to you, from Tickton - is the tremendous gain of shipping which we have made the last couple of months. I don't know whether everybody is conscious of it, but Tickton showed it to me. Another month at the same rate and we will make up the deficit in shipping which I think we have lost during the war. It is perfectly amazing, and the President is very, very elated over it. I mean, he says it has made all the difference in the world. We are gaining at the rate - all this is in the room - maybe everybody knows this, but I didn't - a million tons a month net gain. It is making a tremendous difference, and Tickton has a nice little chart.

MR. WHITE: There may be somebody following it, possibly, this question of additional shipping helping the inflation problem. There is a lot of foodstuffs and whatnot which hadn't been important enough to get any priorities from Central and South America. And I don't know to what extent this new shipping will make available ships, or who is following it - I suppose somebody is. But exclusively related to the question of increasing the supply of food on the inflation basis, you might have George look into it to see where there is any - whether full utilization of these new ships is being used for that purpose.

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H.M.JR: I was amazed. Next to the hospital in New York there was a store - I went across there - and Mr. Smith was able to buy six bananas for a quarter.

MR. SMITH: Six for a quarter.

H.M.JR: Six perfectly good bananas for a quarter.

MR. WHITE: There haven't been any bananas around here, much.

H.M.JR: He bought them, incidentally, for his baby, and by the time he got home there was one banana left! (Laughter)

MR. SMITH: He didn't like bananas, anyway. (Laughter)

MR. SULLIVAN: Jeff Coolidge looking after the common people.

H.M.JR: He went in that store - thirty-five cents for cantaloupe and five cents for bananas.

MR. SULLIVAN: That is the policy of United Fruit. They are afraid if they run the price of bananas up that people will get out of the habit of eating them.

H.M.JR: You couldn't get them before.

MR. SULLIVAN: On those that do come in they are keeping the price down as a matter of company policy.

H.M.JR: You could buy all the bananas you wanted - I don't think you could a month ago. George, have a look at it. If there is something there, we will pass it on to Marvin Jonas. I don't know where this food is.

MR. WHITE: Bananas, coffee, sugar, and fruits from Cuba, and so on. Now, it may be that that is somebody's bailiwick, but I don't know.

MR. HAAS: How about the Argentine beef?

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MR. WHITE: Beef, I think, is taken care of. It is important enough so that somebody is watching it.

H.M.JR: But coffee is in such good shape now that they are talking about lifting the rationing entirely; there is also a chance of lifting the rationing on sugar. So the thing is moving, Harry.

MR. GASTON: We hope they won't lift the ration on sugar. If they liberalize, it is going to make a very difficult enforcement problem in Alcohol Tax - if they take it off entirely.

H.M.JR: Anyway, I think you will find it is moving, but maybe not.

Norman?

MR. THOMPSON: I have a vacation schedule made up that you wanted.

H.M.JR: Is mine on there? (Laughter)

MR. THOMPSON: A big space at the bottom for you.

H.M.JR: Incidentally, tell Eddy Bartelt the President has evidently taken that list of people in the White House and has gotten everybody on the carpet. He is sending it over to us - who have bought on what he calls the "Morgenthau plan", or have bought outside, and he has evidently gone to town on it.

MR. SULLIVAN: Hurray!

MR. BELL: Get them on the - he didn't get them on the pay-roll deduction?

H.M.JR: I don't know.

(The Secretary held a telephone conversation with Justice Frankfurter.)

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H.M.JR: I am doing military this week. I am lunching with Forrestal today, Marshall tomorrow, and I hope King Thursday.

MR. SULLIVAN: Are you aware of King's position on trying to keep the pay-roll allotment out of the fleet?

H.M.JR: That was taken care of.

MR. SULLIVAN: I beg your pardon.

H.M.JR: They told me about it. I told the President about it. I took a letter written here to Knox which the President signed. I said, "King is opposed to this," and the President went ahead and signed it.

MR. SULLIVAN: I know, but since then he sent out a wire to the four fleet commanders which was very trickily worded.

MR. BELL: I think the wire was already in the mill - the directive was already in the mill - before the letter was signed by the President. As a matter of fact, that is why we rushed the letter in. This directive was in the mill ~~also~~.

H.M.JR: If Eddy Bartelt can get something else--

MR. BELL: Captain Eubank is keeping us pretty well advised.

MR. SULLIVAN: I think he ought to give the Secretary a memorandum before that luncheon, Dan. Did you talk with him?

MR. BELL: Yes.

H.M.JR: This is all right except Morgenthau is not on here. (Indicating vacation schedule) (Laughter)

MR. THOMPSON: I would like to raise the question again on the monthly reports White, Blough, Paul, and Haas prepared. Due to the shortage of help, pressure of other matters, they

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have got pretty far behind on them. I was wondering if you would be willing to let them discontinue them, or at least discontinue those that they are behind on, and start currently.

H.M.JR: I will be terribly honest - I don't read them.

MR. THOMPSON: That is what I understood. You do have files--

H.M.JR: You could - you understood?

MR. THOMPSON: Miss Chauncey keeps me informed. (Laughter)

MR. WHITE: You could make them an annual report. (Laughter)

MR. BELL: Then you won't be so far behind. (Laughter)

MR. SULLIVAN: Only one report behind. (Laughter)

H.M.JR: Why not make them a postwar report, then I can read them in the orchard. (Laughter) It is all right with me to discontinue. I don't read them, anyway.

MR. THOMPSON: That will be very helpful. I know Mr. Haas is only up to last September.

H.M.JR: Who is?

MR. THOMPSON: Mr. Haas.

H.M.JR: He is only up to last September?

MR. HAAS: I was asking for at least a cancellation so we could catch up. The shortage of help is terrific.

H.M.JR: I want to say this - I have got something to say on the shortage of help. DuBois - who is DuBois?

MR. THOMPSON: There is a vacancy as Chief Counsel of Foreign Funds.

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H.M.JR: Good man, is he?

MR. O'CONNELL: Very good man.

H.M.JR: Do you think so, Bell? Do you know him?

MR. BELL: Slightly.

H.M.JR: Do you (White) know him?

MR. WHITE: Joe DuBois - I think he is very good.
What are you doing with him?

MR. O'CONNELL: Making him Chief Counsel of Foreign Funds.

MR. THOMPSON: Mr. Paul has been anxious to do that for quite some time.

(Letter dated June 24, 1943, addressed to Mr. Josiah E. DuBois, Jr., signed by the Secretary.)

H.M.JR: He is a good man - Pehle. (Letter dated June 24, 1943, addressed to Mr. John W. Pehle, signed by the Secretary.)

Now, while we are on that, as long as we are increasing them let's move them out of the Washington Building, too, and put War Bonds in there.

MR. THOMPSON: I have been studying that for the last two months and it is just a question of where can you put them. There isn't any space in the city.

H.M.JR: They have no sex appeal anyway, right now, so there are three buildings anyway - why shouldn't they go to New York? There is lots of unemployment - lots of help in New York.

MR. WHITE: They don't need help; they are contracting.

MR. THOMPSON: Yes, they are contracting, giving up the District Building - most of it.

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MR. WHITE: There are certain parts of Foreign Funds that are constantly in touch with both the legal division here and our division, and meet almost every day. Now, that doesn't go very far down the line, but it certainly gets at least half a dozen of the men.

MR. THOMPSON: I think we have made a division. They have fifty percent of their personnel in New York, and I think what they have left here is essential to be in Washington. We went into that very thoroughly.

H.M.JR: NYA must be contracting; OWI is contracting.

MR. BELL: How about the Bituminous Coal Building up here on--

MR. THOMPSON: I have men out now going around trying to find space.

H.M.JR: I would like very much to have War Bonds together in one building and have them close by to me.

MR. THOMPSON: That is what I have been thinking and trying to work out. I will be working on it.

H.M.JR: Don't take too long, Norman.

MR. THOMPSON: I knew that would be your idea. I think it is a very good arrangement.

H.M.JR: If the girls remind me, I will make Norman's life miserable for a couple of days. (Laughter) I think it is a good plan that you thought of. (Laughter)

MR. THOMPSON: I probably wasn't the original thinker on it.

MR. SULLIVAN: If he did, he was sorry. (Laughter)

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MR. THOMPSON: Two months ago I took it up with Reynolds of the Public Buildings Administration and asked him to find a building for us for Pehle.

H.M.JR: Find a building for Pehle, but I would like War Bonds across the street.

MR. THOMPSON: There would be enough space to take care of the whole War Finance Division. It would be ideal.

H.M.JR: Talk to Gamble. I think you might be able to get him to agree to it. He will be a little hesitant. (Laughter)

MR. THOMPSON: He will keep firecrackers right on my heels. (Laughter)

H.M.JR: All right, Norman?

MR. THOMPSON: Fine.

H.M.JR: Mr. Bell, did you read George Wanders today?

MR. BELL: Yes. It wasn't bad.

We received nineteen billion five hundred forty-four million in subscriptions, of which one billion three hundred forty-seven million one hundred thousand was allotted in full.

So that leaves about seven percent allotment. Seven percent allotment will give us two billion six hundred twenty-one million, and with adjustments that will go close to two billion seven.

H.M.JR: How much with the adjustment?

MR. BELL: It may go enough to be two billion seven.

H.M.JR: And what will the percentage be?

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MR. BELL: Seven percent.

H.M.JR: I told Burgess - did he call you yesterday?

MR. BELL: About what?

H.M.JR: About this.

MR. BELL: He called me but he didn't call me about this. He called me about the other matter.

H.M.JR: I told him to call you about this.

MR. BELL: About the allotment?

H.M.JR: Yes.

MR. BELL: Yes, he did.

H.M.JR: What was his advice?

MR. BELL: Against it.

H.M.JR: Against what?

MR. BELL: Against cutting down the one hundred thousand.

H.M.JR: He was?

MR. BELL: Yes.

H.M.JR: Now, where do I sign?

MR. BELL: Just initial it.

(Press release regarding the basis for allotment initialed by the Secretary.)

H.M.JR: You are going away tomorrow night, or tonight?

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MR. BELL: Tonight.

H.M.JR: Be back Monday?

MR. BELL: Yes.

H.M.JR: Boys, anything you want let me know.
(Laughter)

MR. BELL: I didn't know I had so much influence.

H.M.JR: Just let me know. (Laughter)

MR. BELL: I don't know what you can do, but it is all right. (Laughter)

MR. SULLIVAN: Same results, less fuss. (Laughter)

H.M.JR: Be fine to be Acting Secretary of the Treasury. (Laughter)

I will be Acting Secretary of the Treasury.

MR. BELL: All right. That is a lot of fun, too.

H.M.JR: He is the important fellow around here.
(Laughter)

MR. BELL: This is the acceptance of this gift to the Library of Congress.

(Letter dated June 26, 1943, signed by Mr. Archibald MacLeish, approving acceptance of donation, initialed by the Secretary. Telegram to Federal Reserve Bank Presidents showing basis for allotment signed by the Secretary.)

MR. BELL: That is all.

H.M.JR: Harry the White?

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MR. WHITE: The Green bill passed last night in its present form.

H.M.JR: Good. When do you and I go to school? At least, when am I going to school?

MR. WHITE: There are two things. One is the silver. Joe just told me he made the arrangements for ten-thirty tomorrow morning. I don't think you need much time for that - about ten minutes for that.

H.M.JR: Can I put you down for nine-thirty tomorrow morning?

MR. WHITE: Nine-thirty to ten, that will be enough time for that.

H.M.JR: Would you rather say nine o'clock? Does your car get in by nine?

MR. WHITE: I get in by nine, but I think nine-thirty would give you enough time. (Laughter)

H.M.JR: In order to give me enough time we will make it nine-thirty. (Laughter) And Joe will be there and any other silver experts he has got. You haven't Handy and Harman? (Laughter)

MR. WHITE: Indirectly I thought we might ask somebody from Lend-Lease to be up there, in any case.

H.M.JR: Why indirectly?

MR. WHITE: The Director - why not call him - why don't you call him and ask him if he wants to come up?

H.M.JR: Stettinius?

MR. WHITE: Yes, and it is on India.

You saw Halifax. He was supposed to have had a communication from his Government, which Phillips was

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going to deliver. We haven't heard. Did he give it to you?

H.M.JR: No. Do you people want to hear a good joke on me? I wanted to do something for Halifax's son who has no legs, so I asked him for supper here at the Treasury, where we have the lift. They are coming tonight.

I said, "Now, anything that they want to see, I would be glad to have that picture."

So the social secretary up there said, "The Ambassador is just crazy to see 'Mission to Moscow'". And Miss Chauncey said, "Well, the Secretary will be crazy if he sees it", but with the net result I got to see it again tonight and I can't say I have seen it before. (Laughter)

But I don't think they ever asked the boy. Do you?

MISS CHAUNCEY: I am not so sure that they did because the Ambassador's first preference was "Mission to Moscow."

H.M.JR: I was going to give them a picture - Mission to Coney Island. (Laughter) So that is why we are having it twice.

Now, he didn't raise the question.

MR. WHITE: Well--

H.M.JR: Well, I can wait.

MR. WHITE: We have to do something.

H.M.JR: We will wait.

MR. WHITE: Do you want to wait?

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H.M.JR: I don't want to do it at supper.

MR. WHITE: No, but the other agencies are pressing us, and it is our responsibility to get an answer.

H.M.JR: For what, Harry?

MR. WHITE: For the letter we sent to Phillips with respect to the two hundred million dollars on Lend-Lease in Reverse, which they were going to comment on.

H.M.JR: When you are in here - is it eleven-thirty?

MR. WHITE: Yes.

H.M.JR: You remind me, and I will call up Halifax at that time. I will call him up then, Harry.

MR. WHITE: All right. There are a number of other things. Some of them I will take up then, but there is one matter I would like to raise.

This is largely Dan's and the Legal--

H.M.JR: I will be here tomorrow. Dan is leaving tonight. (Laughter)

MR. WHITE: Well, still, that is pay for the American soldiers. You remember, we just got a cable from Iran saying they are agreeable to have us buy gold on our account, which means that we will be getting reals a lot cheaper than what we are paying the soldiers for--

MR. BELL: You mean selling gold?

MR. WHITE: Selling gold but buying the reals at a very low price. Now, the law requires soldiers to be paid in dollars. I think it has been interpreted, either in the Treasury or in the War Department, that they can give them the equivalent in local currency.

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Now, what that equivalent is in local currency raises, it seems to me, an important legal question. It seems to me that the Army men could sue somebody for getting currency at a very different rate from either what we buy--

H.M.JR: May I make a suggestion?

MR. WHITE: Yes.

H.M.JR: Supposing you pay the man fifty bucks in U. S. currency and the captain, so to speak, kind of holds on to the coin and says, "Now, look, Bill, here is fifty bucks, but if you want local currency for it I will give you so much." And we supply him with these cheap reals. Now, the fellow has it, and the finance officer of the company - every company has a finance officer - we supply him with the reals. Then he can give it to the men, and the men get the benefit of it.

(The Secretary held a telephone conversation with Mr. Stettinius.)

H.M.JR: He will be here at quarter of ten.

MR. WHITE: I think the Treasury has some responsibility in this. I don't know, but I think, Dan, that you might have the lawyers go into the whole business because I think we are getting a little bit vulnerable. We are paying in China at a five-cent rate.

H.M.JR: Well, Harry, you raised the point. Whose responsibility is this, Mr. Bell?

MR. BELL: I guess it is up to us to buy the local currency. We have been going on the official rate of exchange. I think this is going to muddle the whole thing up because I doubt if they will continue the policy of selling gold right straight through. They are going to have to do something with it before we get through

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besides selling gold. It is just an experiment, that is all it is.

H.M.JR: What is the matter - supposing we get a lot of cheap reals, can't you turn them over to the finance officer of the troops and give them the benefit of it?

MR. WHITE: Then you have to do it - you have to give them dollars everywhere. They will go out in the black market, and they can always get a better rate than the Government can give them.

H.M.JR: With gold?

MR. WHITE: Or dollars, either one. They probably can get a better price for the dollars. They can get a better price for dollar bills than we are giving them in the official rates of exchanges. It differs in every country and differs from month to month.

H.M.JR: Do you want to take it on with General Carter?

MR. BELL: Yes, sir.

H.M.JR: Will you?

MR. BELL: Yes, sir.

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

MR. WHITE: Yes, although I think also that somebody ought to indicate whether there is a responsibility there.

H.M.JR: Bell calls in the lawyers - when he has to. (Laughter)

MR. O'CONNELL: We have been in on all your discussions involving China, and this is a variation of the same problem.

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H.M.JR: When he has to he calls in the lawyers.
(Laughter)

MR. WHITE: On Martinique, Feis called in response to--

H.M.JR: ... my talk with Hull.

MR. WHITE: He told me very confidentially they were sending a Naval man there to make inquiry. I hadn't looked at my morning paper. It was plastered all over the morning paper.

H.M.JR: Horner or--

MR. WHITE: Hoover. He said--

H.M.JR: I had the "Ho." (Laughter)

MR. WHITE: He said when their man was ready to go in - the State Department man - then they would get in touch with us.

H.M.JR: My suggestion - I talked with the President about it. He was very much interested. He said he would talk to Cordell, too. But my suggestion is I would get in with the Navy on this thing, and I would trot along with the Navy on it.

MR. WHITE: Well, you want to take it up with the Navy?

H.M.JR: No. Is it being now - is it with Feis now?

MR. WHITE: It was left with Feis.

H.M.JR: All right. O.K.

MR. WHITE: He also wants a memorandum from us as to what we want done with respect to the gold as soon as they get in there.

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H.M.JR: I think you will find the President has put a little heat on it. This, gentlemen, is Mr. Laval's money. He is supposed to be residing in Martinique, and the State Department is just falling all over itself to help us.

MR. WHITE: That is all. The Army has asked us for a series of studies on these occupied countries.

H.M.JR: Chuck, you all right? You are coming out from under the corn? (Laughter)

CAPT. KADES: Yes, Mr. Secretary.

H.M.JR: You are going to see these three economic staffs of mine, aren't you, when you leave here?

CAPT. KADES: Yes, sir.

H.M.JR: You can meet in the hall if you want to. (Laughter)

Where is your office now?

CAPT. KADES: At the corner of Fifteenth and Pennsylvania. (Laughter)

H.M.JR: Whose is that?

CAPT. KADES: It is the diagonal corner from here on the third floor.

H.M.JR: On the third floor? Well, listen, why not give him what's-his-name's office?

MR. THOMPSON: Ted Gamble's?

H.M.JR: Yes. Let him have that suite there. He wouldn't have to--

MR. THOMPSON: Odegard is still there.

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H.M.JR: Well, let him have half of it. Odegard will be out momentarily. Why isn't Odegard out now?

MR. GAMBLE: Pending this rearrangement of space--

H.M.JR: Don't wait so long.

MR. GAMBLE: We don't have the space in the other building.

H.M.JR: I thought he was out.

MR. THOMPSON: No.

MR. GAMBLE: We just didn't have the space.

H.M.JR: Well, is there an empty room there?

MR. GAMBLE: There is an empty room there now, yes.

H.M.JR: That you had?

MR. GAMBLE: Yes, sir, that is empty.

MR. BELL: There were two rooms there. Peter occupied one, and Ted the other.

H.M.JR: What's-his-name downstairs - Buffington had a suite of four rooms.

MR. GAMBLE: I meant we didn't have room to move him out of the building.

H.M.JR: Why not put him down there with Louis?

MR. GAMBLE: We will do that.

MR. THOMPSON: Plenty of space there.

MR. BELL: There is space on the third floor down at the other side.

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H.M.JR: Let him go down with Louis, and then you will move Louis and him over. How is that?

MR. THOMPSON: Louis has moved over, as a matter of fact, hasn't he?

MR. GAMBLE: Yes, Louis has.

H.M.JR: And let Kades have the two rooms there because he will need people to help him, see, right opposite Mr. Gaston.

CAPT. KADES: All right, sir. I am perfectly content where I am. I don't need two rooms.

H.M.JR: I want you where I can walk down and see you.

Odegard will be perfectly happy down there.

MR. GAMBLE: He won't be unhappy about it.

H.M.JR: But if he was in there with his stenographer they would get all in a jam in there. He ought to - nobody ought to be around where Kades is working because it is too confidential, anyway. What?

MR. THOMPSON: We will do it right away.

H.M.JR: Roy?

MR. BLOUGH: I sort of summarized this consumer rationing business in Great Britain, if you want to see the results.

H.M.JR: I will get around to it. You are on my mind, number one.

MR. WHITE: What is this meeting on expenditure rationing? Are you taking that up again, or is the Department of Commerce taking that up again?

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MR. BLOUGH: There is a young man over in the Department of Commerce who, with the backing of Mordecai Ezekiel, has asked us to give him an hour to explain some new wrinkles that he has. We are not pushing it. He is pushing it.

H.M.JR: We got a wrinkle within a wrinkle.
(Laughter)

MR. WHITE: I was curious to hear about it. On this tax on individual incomes--

H.M.JR: We are going to take care of the gap. We have a proposal to take care of the whole gap. We are going from A to zed, the whole business.

White will find the time to see you (Blough).
(Laughter)

MR. WHITE: I will make sure of that. (Laughter)

H.M.JR: Joe?

MR. O'CONNELL: No, I don't have anything this morning.

H.M.JR: George?

MR. HAAS: I have nothing this morning.

H.M.JR: Ted?

MR. GAMBLE: I have those ads that you asked about last night. (War Bond advertisements appearing in the Times Herald handed to the Secretary.)

H.M.JR: Oh, my gawd, don't - I got an advertising manager. Fix them up.

MR. GAMBLE: They will be fixed up. I just wanted you to see them. Also, here is the report on the War Production Board.

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(Circular Letter of War Production Board dated October 23, 1942, addressed to Labor-Management War Production Drive Committees; memorandum to Joint Labor-Management War Production Drive Committees dated October 17, 1942, signed by Donald M. Nelson; and letter to Mr. Nelson dated October 10, 1942, signed by the Secretary, handed to the Secretary by Mr. Gamble.)

H.M.JR: Look at the way Chiang Kai-shek sends me something! Don't give me stuff like that. (Laughter)

MR. GASTON: Do you want it in ebony or jade? (Laughter)

MR. GAMBLE: We will fix it up. I have sent for finished proofs for you to take to the White House.

H.M.JR: Give me something nice.

MR. GAMBLE: I wanted you to see these.

H.M.JR: Give me something nice.

MR. GAMBLE: That is all I have.

H.M.JR: The Washington Herald prints Mr. Roosevelt's picture with a statement that somebody pays for. It is the only time he gets into the Washington Herald. Show it to Harry. He is a great doubter. (Laughter) The right kind of paper - show it to Harry. He will like it.

MR. WHITE: Is that in the Washington Herald?

MR. GAMBLE: Times Herald.

MR. WHITE: Its readers wouldn't know who he was unless they said. (Laughter)

H.M.JR: Fred?

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MR. SMITH: Nothing.

MR. SULLIVAN: You recall I told you there was pending a letter that needed your approval on the price of rubber.

H.M.JR: I don't remember, but that doesn't make any difference. (Laughter)

MR. SULLIVAN: I objected to it. I have been all through it with Joe and Tom Lynch. Lynch used to be with Jeffers and was in on this from the beginning.

I am convinced I am wrong, and I am approving a letter today.

H.M.JR: Price on what? I don't know even what you are talking about.

MR. SULLIVAN: They were selling - the Rubber Reserve Company was selling rubber for twenty-two and a half cents, and as the old stockpile diminished the price they were paying for rubber went up. The South American rubber is very expensive, and they decided an over-all of forty cents would be about right. The Army and Navy and WPB had agreed to that. Then Leon Henderson objected. The rubber was going into articles that were not being taken by the Army and Navy but sold--

H.M.JR: It is too complicated.

MR. SULLIVAN: It is too complicated to give it to you, but they have been through it and sold me the book on it, and I am going to approve it today.

Also, I spoke to you on the attitude of the Army ending special amortization of the twenty percent. They have recommended three different ways of doing it. One is terminating it by legislation, which I think is the best way. With your permission, I will talk with Knox when he gets back.

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H.M.JR: You have already talked to me about that.

MR. SULLIVAN: Yes, I did.

H.M.JR: Won't that come into postwar plant conversion?

MR. SULLIVAN: A little bit.

H.M.JR: You had better let Chuck know about it. I want to tie up all these ends around the Treasury - anything that has to do with a plant or business.

MR. SULLIVAN: That is all.

H.M.JR: Mr. Gaston, the great traveller. (Laughter)

MR. GASTON: Yes. Ted didn't mention our travel plans, but perhaps you know about them. We are planning to leave tonight, to be gone a week.

H.M.JR: I saw Ted last night. I think it is fine.

MR. GASTON: We have had a little controversy with Commodity Credit. I don't know whether it came up in your meetings with them, but it isn't tremendously important. It is the question of their imports - the war materials purchased abroad - free-of-duty materials - which they intend for distribution in the retail trade in the United States. It is not yet settled.

MR. BELL: Did the Comptroller General get in on that?

MR. GASTON: He is in on it whether he is entitled to be in on it or not. There is no question about his position. He is against it.

H.M.JR: All right.

July 6, 1943,
10:04 a.m.

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HMJr: Hello.
Operator: Mr. Stettinius is out of his office for just a few minutes.
HMJr: Well, the minute he gets back, let me talk to him.
Operator: All right.

10:12 a.m.

HMJr: Hello.
Operator: Mr. Stettinius. Go ahead.
HMJr: Hello.
Edward Stettinius: Henry.
HMJr: Yes.
S: How's your wife?
HMJr: She's getting along slowly, Ed.
S: Well, you know Henry Cabe is one of my most devoted friends.
HMJr: Yes, I know, he said that you were his first patient....
S: Well, now....
HMJr:when he came to New York.
S: It's great comfort that she's - that you've got Henry. He's a great fellow.
HMJr: Of course, the trouble wasn't from result of his operation. It was other troubles....
S: Yeah.
HMJr:which came in afterwards.
S: Well, is she making - is she making satisfactory progress now?

HMJr: Uh - just about - just about.

S: Well, I've been....

HMJr: It's seven weeks now.

S: Uh huh. That's awful. I've been thinking about you, fellow.

HMJr: Thank you. Ed - uh - I've asked for an opportunity to appear before the Great Silver Committee at 10:30 tomorrow on silver to India. (Pause) Hello.

S: India?

HMJr: Yeah.

S: Yeah.

HMJr: India wants some silver very badly.

S: I know.

HMJr: Would you like to go up with me?

S: I can. I went before, you know, and got them the three million ounces for U.K.

HMJr: I know.

S: If you'd like me to go, I'd be delighted. I doubt if it would add much.

HMJr: Yes, it would. I'll tell you what I was going to do. I was going to go to school here a little bit before hand, with Harry White - see?

S: Yeah.

HMJr: And if you'd care to drop over here at a quarter of ten, we - at least, you can listen to me go to school anyway.

S: Tomorrow morning at a quarter of ten.

HMJr: Yeah, and I'll post myself - then we can go up together.

S: All right, Henry. That's a date.

HMJr: How will that be?

S: That's fine. I'll be in your office at a quarter of ten.

HMJr: Thank you, very much.

S: And I'll go with you and you - you'll make the statement....

HMJr: I'll make the statement and you can simply back me up if you will.

S: I'll just back you up and support what you say.

HMJr: If you will.

S: Okay, Henry.

HMJr: Thank you very much.

S: Thank you, sir.

July 6, 1943
12:22 p.m.

Operator: Here he is.

HMJr: Hello, Nelson.

Nelson
Rooke-
feller: How are you, Mr. Secretary?

HMJr: Fine. Thank you.

R: Say, I think I've got some good news for you.

HMJr: I can stand it.

R: You remember that magazine you spoke to me about?

HMJr: Yeah.

R: I think it's finished.

HMJr: Wonderful.

R: I haven't got an official confirmation in writing but there was a telephone call - I had a long talk with a fellow who went down there....

HMJr: Uh huh.

R:three weeks ago....

HMJr: Uh huh.

R:uh - I gave him the whole background and he said he thought he could do the job. We got a telephone call....

HMJr: Wonderful.

R:which, of course, came through their censor and ours....

HMJr: Yeah.

R:in which the indications were that the job had been done and it was oke. I'll get confirmation on that as soon as he gets back....

HMJr: Yeah.

R:in detail....

HMJr: Good.

R: But I believe - I have enough confidence in him and what he says to be pretty sure that the thing....

HMJr: Yeah.

R:is finished and we won't have to worry about that.

HMJr: You haven't got another one of those electric broughams stored away somewhere have you, in your stables up there?

R: Electric what?

HMJr: Brougham - didn't you see the picture of your parents in an electric....

R: Oh, yes - yes - yes - I know what you're talking....

HMJr: You don't even know what an electric brougham is.

R: Oh, I'd forgotten about it.

HMJr: You don't know what an electric brougham is....

R: No, that is....

HMJr: #you're too young....

R:is - is out of my area.

HMJr: I say, you're so young you don't know what an electric brougham is. Well, that's what they were driving around in - in case you don't know.

R: Yeah. I've got it now. Say, isn't that a wonderful one though.

HMJr: Marvelous.

R: I thought that was a pretty cute picture.

HMJr: I thought it was lovely.

R: Well, they - nobody can - no O.P.A. official can get 'em in that.

HMJr: (Laughs) Okay, Rock.

R: How have you been?

HMJr: I've been all right.

R: Good.

HMJr: Thank you.

R: Listen, if there is anything that - any more things or angles that come up like this....

HMJr: There will be, don't worry.

R: Okay, and I'll let you have the detailed confirmation when I get it in writing.

HMJr: Thank you.

R: Okay.

HMJr: 'Bye.

July 6, 1943
3:57 p.m.

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Robert
Doughton: All right.

HMJr: Hello, Bob.

D: That you, Henry.

HMJr: It's me, in person.

D: How's that?

HMJr: That's me talking.

D: Yes, sir.

HMJr: Now....

D: You recall the last time we talked over the 'phone, as far as I remember, I told you as soon as we could ascertain about a recess program, that I'd call you again about taxes.

HMJr: That's right.

D: Well, looks like we're going to recess this week and on the basis of that I called our committee together - full membership - this morning to discuss the time that we'd begin consideration of the tax bill so far as the committee was concerned.

HMJr: Yeah.

D: So we set September the 8th....

HMJr: Good.

D:to come back here and I'd like to do this, Henry....

HMJr: Yeah.

D:if you think well of it....

HMJr: Yeah.

D:before I leave - is Paul still going to officiate for you?

HMJr: Officiate when?

D: Well, kind of - when you're not here, be looking after tax matters for the Treasury?

HMJr: That's right, but I'm....

D: The same capacity he's been in?

HMJr: That's right.

D: As head of your staff that studies and works on it....

HMJr: There's no change.

D: How's that.

HMJr: There's no change.

D: Well, if it's agreeable with you - I haven't said a word to anybody about it....

HMJr: Yes.

D: If it would be agreeable with you - you thought well of it,....

HMJr: Yeah.

D:I'd like for - uh - to have a meeting with Paul and Sam before I leave....

HMJr: Good.

D:and see how they are getting along and to what extent they are working together and see how much I can get them to push up their work and then if - when they - anything they don't get together on, if they have some independent thoughts or separate thoughts, why let them have those ready when we come back.

HMJr: I think that would be fine.

D: That's what I thought. Well, I'll try to get in touch with them then sometime tomorrow....

HMJr: Good.

D:and if it's all right now, I'll call Paul--you tell him about it....

HMJr: Yeah, he....

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D:and find out what suits Stam and then I'll call - I'll set a date - could - could Paul come most any time? Is he here?

HMJr: Well, I'm not sure, but let me call him and get word to him to get in touch with you....

D: You didn't - yeah, tell him to get in touch with me as soon as he can.

HMJr: When do you want to see him? Tomorrow?

D: Tomorrow - or not later than the next day.

HMJr: I'll get in touch with him.

D: Tomorrow would be better.

HMJr: Righto.

D: I wanted to say this - that the spirit of the meeting this morning....

HMJr: Yeah.

D:we realized we had to work out a tax bill....

HMJr: Yeah.

D:and the Republicans manifested a very fine spirit...

HMJr: Good.

D:and a cooperative spirit and they didn't want to play politics....

HMJr: Good.

D: They are willing to go along and work and I told them that we'd had two or three little preliminary meetings - just a few of us - just to decide on dates, etc. - that I had suggested - we did not discuss amounts nor methods.

HMJr: Good.

D: That seemed to please them.

HMJr: Well, I'm glad to hear that.

D: Yeah, it looked all right now today on the surface.

HMJr: Fine.

D: All right.

HMJr: Thank you.

D: You ask Paul to call me, will you?

HMJr: I'll get in touch with him right away.

D: And then another thing about this....

HMJr: Yeah.

D:now when we come back here the 8th - I've just been talking to the Speaker and he thinks that the Congress won't have anything much to do....

HMJr: Yeah.

D:for two or three weeks....

HMJr: Yeah.

D:probably just meet and adjourn for three days at a time, you know.

HMJr: Yeah.

D: That being the case, you see our committee can work right along and do three times as much work as we could if the House was busy and we had to answer roll calls.

HMJr: Well, that sounds very encouraging.

D: How's that?

HMJr: That sounds very encouraging.

D: Well, all right, Henry, it looks all right.

HMJr: Yeah.

D: Well, good bye.

HMJr: Thank you.

cc: Dr. White

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July 6, 1943
4:02 p.m.

HMJr: Morgenthau.

Lord
Halifax: Hello. Halifax here.

HMJr: I've done pretty well for you. I got that silver bill through.

H: Well done.

HMJr: Hello?

H: Well done.

HMJr: (Laughs) I don't know how much credit I'm entitled to, but anyway, I'm going to take it all.

H: anyway, that's very good.

HMJr: And then I asked for a chance to appear before the Silver Committee at 10:30 tomorrow to tell them what we wanted to do for silver for India, and I'm going up tomorrow morning.

H: Uh - huh.

HMJr: And I'm taking Ed Stettinius with me.

H: That's real good.

HMJr: So we're - we're moving right along on that front.

H: Well done. Thank you very much.

HMJr: Now - your man, Phillips, before he left, told Harry White that you had a memorandum in connection - from your government - that this request of ours that we would like to have your government furnish us with \$200 million worth of goods for our army in England.

H: Yes.

HMJr: Hello?

H: Yes. In raw materials, you mean?

HMJr: Parton?

H: In raw materials?

HMJr: Right.

H: Yes.

HMJr: And, I just - I - I don't want to talk business tonight, and - any more than you do - and I just wondered if Phillips was correct that you had such a memorandum and - the other departments are pushing us on this thing - and I wondered possibly, if there was such a memorandum in existence, when we could talk about it.

H: Well, I don't know quite what he meant by a memorandum. He and I and Opie had a good deal of talk about it....

HMJr: Yes.

H:and I think he talked with White and he talked with - with Stettinius.

HMJr: Yes.

H: And I rather think Opie talked with Dean Acheson.

HMJr: Yes.

H: And the up-shot of all that talking....

HMJr: Yes.

H:was that just before he went, I had a long - long talk with Phillips about it....

HMJr: Yes.

H:and we discussed the - and I think sent the telegram to London - and we discussed the lines that he should - that - do the best to handle the case on - as soon as he got to London.

HMJr: Oh!

H: And, there had been some telegram from London to say that - either Winant or Averill Harriman was going to talk to the Chancellor again about it also from that end, and I gathered from - I suppose from Stettinius or second hand through Phillips, that if they got - you - your people got an answer by the time they - they wanted it in August - that that would be all right.

HMJr: No.

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H: And, accordingly it was left that Phillips should argue it - talk about it as soon as he could get back, and I've heard no more. I can very well - if you want me to - I can very well send a telegram to hurry them up.

HMJr: Would you mind, and saying that I have been inquiring and I - I don't want to wait until Phillips gets back.

H: Ah - not until he gets back here.

HMJr: Yes.

H: But he is back in England now.

HMJr: Yes, oh - I - yes - I thought you meant that I would have to wait until he got back

H: Oh - no - no - no. He's back there now....

HMJr: I see.

H: and I shall be expecting to hear from him any time and I can very well - I can very well send the telegram to them to ask them to hurry up with it.

HMJr: Would you?

H: Yes.

HMJr: I'd - I'd appreciate it, because we lay considerable stress on it here.

H: Yes. My thought had been - and I might well have been wrong - that what you all wanted it for was to make a case when you - when - in some message or some - some document that you had to prepare for August.

HMJr: Well, it's a little bit - that may be true, but it's a little bit more than that. It's frankly a question of your balances

H: Yes.

HMJr: it's fairly high

H: I know.

HMJr: and this would be one way to work them off. I mean, I believe - you know I - I'm always very frank

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H: Yes.

HMJr: and

H: Well, I

HMJr: so if - if you could and then - then when you have the answer maybe you and I could sit down and talk about it.

H: Certainly. Certainly. Well, I'll - I'll send Kingsley Wood a telegram at once, to tell him that you've spoken to me

HMJr: Yes.

H: and that you would like to know where we were on it as soon as possible.

HMJr: Within a few days.

H: Yeah. I will, certainly, I'll get it right off at once.

HMJr: Thank you.

H: Well, we meet this evening.

HMJr: Right.

H: How is your wife?

HMJr: I'm glad to report that she's making slow progress.

H: But in the right way.

HMJr: In the right way.

H: Oh, well, that's all right.

HMJr: In the right way.

H: Good. Good.

HMJr: Thank you.

H: All right. Good-bye.

July 6, 1943.
4:16 p.m.

HMJr: Hello, Marvin?

Marvin
Jones: Yeah.

HMJr: Henry talking.

J: Yes, sir.

HMJr: Marvin, have you got some administrative fellow over there that - I could send over and just - I'd like him to know what we went through the other day trying to get a price set for Hudson River Co-op - I mean that we went up - I've been all through this thing now myself, you see - and seen how many agencies have got to set a price....

J: Uh huh.

HMJr:on currants and berries....

J: Yeah.

HMJr:and it's just damned nonsense.

J: Well, of course, that thing ought to be straightened out where they could have quick action and....

HMJr: Yeah. Now, have you got some fellow over there - he talked to (Talking aside: Who'd you talk to?) Dodd. Is he - Dodd - have you got a man over there....

J: Yeah, I've got Ed Dodd - he's the AAA Administrator.

HMJr: Is he under you?

J: Yeah.

HMJr: Well, could this man - Norman Tietjens - of mine talk with him?

J: Yes, but I - I rather think he'd better go down to the berry man....

HMJr: No, it's all been settled....

J: It's all been....

HMJr:it's all fixed - it's all settled, but what I - I am again worrying about your problem.

J: Yeah.

HMJr: Why should there be four fellows trying to settle a price on berries like - when the crop is already half over?

J: That's true - well, O.P.A. has a part in that.

HMJr: Yeah. He went all through this thing. He spent two days on it....

J: O.P.A....

HMJr:He went from O.P.A. to Agriculture - to O.P.A. - and I don't know whether you want to hear about it but I told the President about it and its as good a case - because its so ludicrous - uh - could strengthen your hand - that's what I'm thinking of.

J: This Dodd - it's another Dodd in the food and vegetable branch, you're talking about....

HMJr: Oh.

J: Well, yes, I....

HMJr: No, what I - I'm thinking about - here's a good case that I went through personally....

J: Uh huh.

HMJr:and it's just damned nonsense and nobody can operate like that....

J: Well, I....

HMJr:Now what can I do with all this - if it's....

J: Well, I don't know. I rather think I'd like for Grover Hill or Porter to talk to him.

HMJr: Have who?

J: Grover Hill or Porter - Grover Hill is the Assistant Secretary of Agriculture - Grover Hill - or Paul Porter is one of my assistants here....

HMJr: Well....

J:but I'd think he'd want to get this man Dodd from down there who has been handling it.

HMJr: Well, the thing is all settled. What I want is for him to talk to....

J: I know, but I'd like to have his - his slant on it, too, while your man is talking....

HMJr: Well....

J:so let me - uh - (Talking aside: Can you talk to this fellow - he's talking about this....)

HMJr: Uh - uh....

J: I'd like to have him talk to Grover Hill....

HMJr: Grover Hill.

J:Assistant Secretary of Agriculture....

HMJr: Grover Hill.

J: When could he come over to us - when Grover sends for him?

HMJr: Any time - his name is....

J: Let me - let me give it to Grover and give him your boy's name, now.

HMJr: Norman - his name is Norman Tietjens - T-i-e-t-j-e-n-s.

J: T-i-....

HMJr: e-t-....

J: T-i-e-t....

HMJr:j-e-n-s.

J:j-e-n-s.

HMJr: Yes - j-e-n-s.

J: Now, what's his branch number.

HMJr: He's in - well, he's in the General Counsel's office - the Treasury.

J: General Counsel - just....

HMJr: The....

J:General Counsel's office.

HMJr: Yeah. The point is, we got through it - see? - it's settled - finished....

J: Yes, I understand, and you just want the story - and you told the story to the President....

HMJr: I've told it to the President....

J:and he thought it took too long, huh?

HMJr: Well, he thought it was crazy - just the way I....

J: (Laughs) I'm sure it is.

HMJr:and the point is - here's a chance - where I might be a little service to you - you think....

J: Oh, bless your heart - I'm going to - I'm going to have this boy come over and I'm going have Porter and Grover both talk to him and see if they can't iron out some of this.

HMJr: And use this as an example, 'cause somebody around this town ought to be able to set the prices without having to talk with Tom, Dick and Harry and then Tom, Dick and Harry all over again.

J: Uh huh. That's right. You ought to be - you ought to be able to get quick action. Lord, that sometimes is as important as just action.

HMJr: And with the result that the people - try to quiet the people down a little bit in the field.

J: All right. Well, you just - I'll take this - Norman Tietjens - and he can call the General Counsel office over there....

HMJr: Yeah.

J:Counsel's office and get him.

HMJr: Right.

J: Now, I'll do it and thank you.

HMJr: Am I bothering you too much? (Aside: He's gone.)

ob.

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BD WASHINGTON DC JUL 6 523P

HON HENRY MORGENTHAU

SECRETARY OF THE TREASURY

ECONOMIC STABILIZATION BOARD MEETING WILL BE HELD THURSDAY,
JULY 8, AT ELEVEN OCLOCK

FRED M VINSON DIRECTOR OF ECONOMIC STABILIZATION.

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Yes =

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JUL 6 - 1945

Dear Colonel D'Olier:

I have your letter of June 28 in which you state your belief that the current publicity about compulsory savings is damaging to the War Bond campaign as well as all other forms of savings.

I agree that discussion at this time about forcing people to lend a given amount of money to the Government can prove very damaging not only to the sale of War Bonds but to all other savings media. I feel also that the discussion is especially unfortunate at this time because there is no indication that it will be necessary or wise to adopt compulsory savings as a Government policy.

Congress has made it clear that any tax bill passed in 1943 would not be retroactive on 1943 income. Even if Congress should decide eventually that a compulsory lending plan would help to control inflation, it seems only reasonable that serious discussion of such a plan should be postponed, in fairness to the millions of patriotic Americans who are supporting the voluntary system, until we are faced with some need to make a decision.

As you no doubt know, many of us believe that consideration of any sort of legislative savings plan should wait until there is some indication that the same or better results in obtaining funds from non-inflationary sources cannot be achieved by the voluntary method. There is no such indication at this time. We have exceeded our goals in each of the two War Loan drives, and have raised 7 billion dollars from individuals in the first six months of this year.

It should be possible at least to double in the next six months, the 7 billions we raised in the first six months through the voluntary method, and to get all the funds from new savings rather than by transfer from non-inflationary investments. The voluntary plan has the great virtue of being flexible enough to permit bond buyers to continue meeting vital commitments for life insurance, mortgage payments, and other non-inflationary investments, at the same time digging deeply into funds not needed to meet such requirements. One of the great weaknesses of a compulsory savings plan is its lack of such flexibility. To get from a compulsory savings plan as much as we can get through the voluntary method, would bear with crushing weight on those with fixed

Complete File in
Diary.

- 2 -

incomes and heavy commitments, who are least able to afford it. That is one reason people who have such savings should support the voluntary method to the fullest extent.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Colonel Franklin D'Olier,
President, Prudential Life
Insurance Company,
Newark, New Jersey.

Complete File in
Diary.

FS:gr
7-1-43

FB

FRANKLIN D'OLIER
PRESIDENT

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

HOME OFFICE, NEWARK, NEW JERSEY

June 29, 1943

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

My dear Mr. Secretary:

The United States Treasury War Finance Committee of New Jersey, of which I am Chairman, has laid its plans and has every expectation of making the coming War Bond campaign a great success in this State, particularly as we are organizing to make it possible for almost every citizen in this State to contribute to the war effort by the purchase of war bonds and stamps. Based on past experience, we believe that their patriotic response will be spontaneous and generous. However, we have been disturbed lately by the discussion concerning compulsory saving. Continued discussion at this time is bound to react unfavorably on the voluntary purchase of war bonds in both the September and, if the discussion continues, in the December campaign as well.

We should think that both the Administration and Congress would want to see the results of these two campaigns on a voluntary basis before making any decision whatever in reference to compulsory saving. A premature discussion of this subject would unquestionably materially impair the success of these two drives.

The voluntary purchase of war bonds has been a very important factor in reducing the danger of inflation and I would regret greatly if anything should be done to discourage this very important activity, especially at this time when probably nothing could be done in reference to compulsory saving until the end of the year. To the extent that the discussion discourages the voluntary purchase of war bonds, it is contributing toward inflation and I hope something can be done to stop this discussion at this time, if it is at all possible.

All voluntary savings where the proceeds are ultimately invested in Government bonds are very powerful anti-inflationary forces, such as the payment of debts, including mortgages, and life insurance premiums, and nothing should be done to discourage such savings, and these very important factors should be very carefully considered in any compulsory saving plan. The discussion at this time of compulsory savings unquestionably would seriously affect voluntary savings. Patriotic incentives of voluntary effort should be maintained, if at all possible.

-2-

In short, I urge that the premature discussion of compulsory savings, whatever its virtues, should not be permitted to hamper the great flow of voluntary anti-inflationary investments.

Sincerely yours,

Franklin D. Oliver

FRANKLIN D'OLIER
PRESIDENT

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA
HOME OFFICE, NEWARK, NEW JERSEY

June 29, 1943

Mr. Frederick Smith,
Assistant Secretary of the Treasury,
Washington, D. C.

My dear Mr. Smith:

I appreciate very much indeed the suggested draft you dictated over the phone and I have taken this draft and put it in my own words and I am enclosing my letter to the Secretary, which I thought you would like to have rather than to send it to him directly.

Sincerely yours,

Franklin D'Oliver

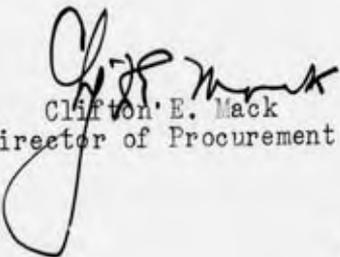
SECRET**TREASURY DEPARTMENT****PROCUREMENT DIVISION****WASHINGTON**

July 6, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of lend-lease purchases for the week ended July 3, 1943.

The policy of applying existing stocks to new requirements is being developed in close cooperation with representatives of the Lend-Lease organization.


Clifton E. Mack
Director of Procurement



SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF JUNE 30, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$3958.5 (3262.1)	\$1926.8 (1625.8)	\$1557.0 (1256.9)	\$103.4 (103.4)	\$10.2 (6.8)	\$361.1 (269.2)
Purchase Authoriza- tions (Requisitions)	\$2801.3 (2769.9)	\$1526.0 (1509.4)	\$1129.1 (1115.4)	\$40.3 (40.4)	-	\$105.9 (104.7)
Requisitions Cleared for Purchase	\$2721.0 (2675.7)	\$1474.8 (1453.2)	\$1103.6 (1080.8)	\$40.0 (40.1)	-	\$102.6 (101.6)
Obligations (Purchases)	\$2626.3 (2590.6)	\$1450.8 (1433.0)	\$1048.8 (1032.3)	\$40.0 (40.1)	\$6.4 (6.3)	\$80.3 (78.9)
Deliveries to Foreign Governments at U. S. Ports*	\$1148.9 (1138.8)	\$806.0 (803.2)	\$311.7 (304.5)	\$18.6 (18.6)	-	\$12.6 (12.5)

*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 23, 1943.

SECRET

EXPLANATION OF DIFFERENCE.

The reduction in the China columns is a result of transfers of material in storage to the War Department.

July 6, 1943

Secretary Morgenthau

Mr. White

1. About two years ago, Secretary Morgenthau directed the Treasury staff to study the problem of currency stabilization and the provision of international credit. As a result of these studies an extended memorandum was prepared in the Treasury proposing tentatively the establishment of an international stabilization fund and an international bank for reconstruction and development.

2. On May 16, 1942, Secretary Morgenthau submitted to the President a memorandum on these tentative proposals. The President authorized the Secretary to have the studies continued in cooperation with the State Department, the Board of Economic Warfare and the Export-Import Bank. From time to time the Secretary has informed the President of the progress of the studies and discussions on these questions.

3. In accordance with the President's authorization, Secretary Morgenthau brought together a Cabinet group for the purpose of advising the President on these projects. A committee of technical experts from other departments and agencies was also formed to work with the Treasury experts in formulating a program on currency stabilization and international credit.

4. On March 4, 1943, with the approval of the Cabinet group and the State Department, the Secretary of the Treasury wrote to the Ministers of Finance of the United Nations and the countries associated with them, enclosing a tentative draft proposal for an international stabilization fund and requesting them to send technical experts to Washington to discuss the proposal on an informal basis. The covering memorandum mentioned the need for an international bank to provide international credit for reconstruction and development.

5. During the discussions, frequent inquiry was made by the technical experts of other countries regarding an agency on international credit. They were informed that

7/12/43 - Mr. White advised "the Secretary read this".

- 2 -

preliminary studies were nearing completion and that a tentative draft proposal would soon be available. Furthermore, on several occasions Mr. Berle of the State Department and Mr. White of the Treasury spoke informally to the British technical representatives about later discussions on the tentative draft proposal for an international bank. It was agreed by Mr. Berle and Mr. White that the only reason for separating the discussions on the fund and the bank was expediency, and that the bank proposal should be considered as soon as feasible.

6. The questions of currency stabilization and international credit are inseparably linked, and have always been matters for discussion by Treasuries, of course with the cooperation of the State Departments. The technical experts sent by other Treasuries for preliminary discussions in Washington expect quite reasonably that the problem of international credit will be discussed by the same technical experts with whom they have discussed the problem of currency stabilization.

7. The creation of another committee on international credit will result in unnecessary confusion. The agencies invited by Secretary Hull to serve on the committee he wishes to establish are already represented on Secretary Morgenthau's committee. With the exception of Mr. Pierson, all of the individuals are now on Secretary Morgenthau's committee, and Mr. Pierson can be added as a second representative of the Federal Loan Agency. By proceeding with Secretary Morgenthau's committee, the work already done can be completed without undue delay and needless duplication. The recommendations of the committee and the technical experts would be brought to Secretary Hull for his advice in accordance with the instruction of the President to Secretary Morgenthau.

EMB/jm
7/6/43

July 6, 1943.

My dear Mr. Secretary:

I write to acknowledge receipt of your letter of July 5 advising me of the proposed creation of a Special Committee on Shipping to prepare studies and to advise the Department of State in respect to proposals or positions which the Government should make or take concerning international arrangements relating to shipping and allied problems in the post-war world. You suggest the desirability of having the Treasury Department represented on such committee and ask that if I concur I designate a member from this Department.

I concur in your suggestion and I designate Mr. Herbert E. Gaston, Assistant Secretary of the Treasury, to represent the Treasury Department as a member of the Special Committee on Shipping.

Sincerely yours,

(Signed) M. Morgenthau, Jr

Secretary of the Treasury.

The Honorable Cordell Hull
Secretary of State
Washington, D.C.

By messenger Sturgis 5:17
File to Mr. Thompson.
Photo of incoming and
copy in Diary.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
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July 5, 1943

My dear Mr. Secretary:

In connection with the preparations of this Government for post-war arrangements being carried on by the Inter-Departmental Committee on Post-War Foreign Economic Policy, the State Department believes that special attention must be given to problems of international arrangements relating to shipping.

There is, therefore, being established a Special Committee on Shipping to work up the studies relevant in that field and to advise the Department in respect to proposals or positions which the Government should make or take concerning international arrangements relating to shipping and allied problems in the post-war world. On this Committee it is believed the following Departments and agencies should be represented:

Department of State
Department of the Treasury
Navy Department (Coast Guard)
Department of Commerce
Maritime Commission

I feel it would be most desirable for the Treasury Department to be represented on this Committee. If you concur, would you be good enough to designate a member from your Department.

The Committee

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



-2-

The Committee is asked to report its conclusions to the Inter-Departmental Committee on Post-war Foreign Economic Policy, of which Mr. Myron Taylor is Chairman. I will lay the decisions arrived at before the President for his determination as to policy, in conjunction with the heads of the Government agencies concerned therewith.

The Chairman will make available to the Committee those members of the staff of the Department who may be useful in the Committee's work. A member of that staff, Mr. Walter Radius, will serve as secretary of the Committee. It is desired that the records of the Committee be maintained in the Department of State where facilities have been provided for that purpose.

I should be glad to have your designation of a member as soon as practicable. It is hoped that the Committee can meet and organize at the earliest possible date.

Sincerely yours,

Cordell Hull

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
July 6, 1943

TO Secretary Morgenthau .

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

Three major appropriation bills, a Second Deficiency Bill and a new CCC extension and subsidy measure still stand between Congress and a summer recess. Although all other differences on the War Agencies Bill and the Labor-Federal Security Bill were reconciled, both measures are still tied up in conference by House refusal to accept the Senate's McKellar amendments requiring Presidential appointment and Senate confirmation of all employees of agencies included in the two measures, earning \$4,500 or more a year. Agreement, however, was in sight on the Interior Department Appropriation Bill, deadlocked for days by Senate demands for funds for western irrigation and reclamation projects. The Second Deficiency Bill also took the spotlight yesterday as a highly controversial issue when it emerged from the Senate, with the crop insurance program, previously surrendered to House demands on the Agriculture Bill, and with some \$358 millions approved instead of the \$36 million voted by the House. Meanwhile the subsidy controversy drew near a settlement today as the Senate drafted a limited subsidy program authorizing 700 million dollars for both CCC and RFC commitments.

As the House passed the Green Silver Bill authorizing sale of Treasury silver for war purposes yesterday, the Ways and Means Committee also approved Representative Celler's measure repealing the Silver Purchase Act of 1934 - and another fight on the silver issue appeared in the offing.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING
TO: Secretary of State, Washington
DATED: July 6, 1943
NUMBER: 1108

STRICTLY CONFIDENTIAL

Please be advised that information of a reliable nature has reached us to the effect that at a recent executive Yuan meeting the proposed reverse Lend-Lease agreement received favorable discussion. The possibility of a reverse Lend-Lease agreement with us has so far not been mentioned by either Dr. Kung, whom I have frequently seen, or by any other Chinese official.

ATCHESON

Copy:bj:7-9-43

268

OFFICE
SECRETARY OF TREASURY

NOT TO BE RE-TRANSMITTED 13 JUL 7 AM 11 36

TREASURY DEPARTMENT COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 219

Information received up to 7 a.m. 6th July, 1943.

1. NAVAL

HOME WATERS. Early 5th, 2 enemy Destroyers proceeding West from DUNKIRK were attacked by 3 M.T.B's and later engaged by Coastal Batteries. No torpedo hits claimed.

MEDITERRANEAN. One of H.M. Submarines sank a 2,000 ton ship in GULF OF GENOA.

2. MILITARY

RUSSIA. On 5th, Germans attacked in OREL-KURSK and also BYELGOROD areas with large forces of tanks and infantry strongly supported by air. Except for slight penetration at some places all attacks repelled with heavy losses.

3. AIR OPERATIONS

WESTERN FRONT. 5th. Fighters damaged 6 locomotives in Northern FRANCE and a 800 ton Coaster off DUTCH Coast.

5th/6th. Aircraft despatched: HAMBURG - 4, COLOGNE - 4, Sea-mining - 34, (2 missing), Leaflets - 18, Intruders - 3.

MEDITERRANEAN. 2nd/3rd. Wellingtons dropped 72 tons on OLBIA (SARDINIA) and 31 tons on TRAPANI (SICILY)

3rd. 349 Bomber and 353 Fighter Sorties mainly against airfields in SICILY and SARDINIA.

3rd/4th. Wellingtons dropped 123 tons on TRAPANI and also bombed Sea-plane base at LIDA DI ROMA and dropped Leaflets on ROME.

4th. 121 heavy and medium bombers attacked airfields in SICILY. Combat casualties in all above operations: Enemy - 34, 8, 10; Allied - 15, 0, 55.