

DIARY

Book 648

July 11-14, 1943

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War Savings Bonds

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TREASURY DEPARTMENT  
Washington

1

FOR RELEASE, MORNING NEWSPAPERS,  
Sunday, July 11, 1943.

Press Service  
No. 37-47

7-10-43

The following statement was made today by Secretary Morgenthau:

The invasion of Sicily and other news developments from battle fronts during the past twenty-four hours have provided a slogan for our Third War Loan Drive. It is: "Back the attack -- with War Bonds."

As anyone knows who has read a newspaper or listened to news bulletins on the radio this morning, the United Nations are on the march. The first rumblings of the big offensive are being heard in all the Axis nations. Thousands of our men are storming Sicily. Tons upon tons of bombs are dropping on Germany. We are attacking Jap-held territory as never before. This is a great day for us. But it means that the time has come for us to really tighten our belts here on the home front. We have come to a most crucial period in the war, and the success that we will have on the fighting fronts will depend to a considerable extent upon the degree to which we here at home are willing to work and sacrifice and sweat for ultimate victory.

It's going to be a costly victory. We have said that before, but we must repeat it again and again. The real war has only now begun. Billions of dollars more must be spent to keep the material of war going to our men at the fronts. Your Government must call upon you, the American people, for that money.

Remember, it is up to all of us here at home to Back the Attack -- and to do it more enthusiastically, more thoroughly and with greater sacrifice than any attack has ever been backed by any home front in all history. Everything is at stake. Everyone must help to the very limit of his ability.

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OFFICE OF THE SECRETARY OF THE TREASURY  
 BRITISH POST SECRET  
 SECRET  
 MODEL NO. 224  
 JUL 13 1943  
 NAVAL  
 TREASURY DEPARTMENT

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

In action off CAPE USHANT on the 10th, 3 German Torpedo Boats escorted by minesweepers were engaged. 1 Torpedo boat was severely damaged and 1 minesweeper probably sunk. One of H.M. Ships was seriously damaged forward and sustained 18 casualties, 5 of them fatal. 2 Norwegian Ships were slightly damaged.

2. MILITARY

RUSSIA. No reports beyond official communiques.

3. AIR OPERATIONS.

WESTERN FRONT. 9th/10th. GELSENKIRCHEN. 1,304 tons were dropped including nine 8,000 lb. and one hundred and eighty eight 4,000lb. H.E. in 40 minutes. Heavy A/A opposition but few fighters. Searchlights ineffective owing to cloud.

10th. 287 Fortresses with fighter support were sent to attack airfields in Northern FRANCE. Owing to thick cloud, only 67 attacked dropping a total of 142 tons of H.E. on airfields at CAEN and ABBEVILLE with fair to good results. 3 Fortresses were lost. Venturas attacked ST. OMER Railway centre and Typhoon bombers MAUPERTUS Airfield. 4 escorted Special Beaufighters obtained 6 hits on a 2,000 ton ship off NORWAY and set it on fire. One Beaufighter missing.

SICILY. 8th/9th. Wellingtons dropped a total of 105 tons on airfields at COMISO, GERBINI and CATANIA.

9th. Nearly 650 bomber and fighter Sorties were flown against Airfields, Railways, Barracks and other military objectives including headquarters at TAORMINA on the East Coast on which several hits were obtained.

TREASURY DEPARTMENT  
Washington

FOR IMMEDIATE RELEASE,  
Monday, July 12, 1943.

Press Service  
No. 37-48

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to the current offering of 1-1/2 percent Treasury Notes of Series A-1947.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received</u>	<u>Total Subscriptions Allotted</u>
Boston	\$ 1,022,210,000	\$ 133,453,000
New York	7,301,921,000	696,267,500
Philadelphia	1,160,805,000	135,409,000
Cleveland	1,040,092,000	181,616,000
Richmond	905,249,500	173,076,500
Atlanta	1,139,315,500	378,140,500
Chicago	2,728,261,000	366,196,000
St. Louis	586,158,000	143,634,000
Minneapolis	422,874,500	86,000,500
Kansas City	670,095,500	115,537,500
Dallas	700,083,500	114,048,500
San Francisco	1,866,178,000	183,585,000
Treasury	300,000	300,000
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TOTAL	\$19,543,543,500	\$2,707,264,000

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TREASURY DEPARTMENT

WU2 43 GOVT NL COLLECT

BEACON NY JULY 10 1943

EDWARD BARTELT

OFFICE OF THE TREASURY DELIVER 830AM MONDAY

SUGGEST YOU CHECK UPON AMERICAN CITIZENS WORKING FOR FOREIGN  
MISSION IN THIS COUNTRY AS TO HOW MANY WAR BONDS THEY BUY  
SUGGEST YOU DESIGNATE ONE AMERICAN IN EACH FOREIGN MISSION  
TO STIMULATE THE SALE OF WAR BONDS COPY TO MRS KLOTZ

HENRY MORGENTHAU JR

740AM JULY 12

COPY

1943 JUL 12 AM 8 30

TREASURY DEPARTMENT

WV16 25 GOVT NL COLLECT

TBWD BEACON NY JUL 11 1943

DANIEL W BELL

OFFICE SECY OF TREAS

SUGGEST THAT WE CALL GROUP OF BANKING ADVISERS FOR THURSDAY.

PLEASE TALK TO ME ABOUT IT WHEN I CALL MONDAY, COPY TO MRS

KIKLOTZ

HENRY MORGENTHAU JR

816AM JUL 12 1943

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July 12, 1943  
9:10 a.m.

HMJr: Hello. You sound peppy.

D. W. Bell: Oh, I'm full of pep.

HMJr: Have a nice week?

B: Very good, thank you.

HMJr: Good.

B: Very good.

HMJr: How is Mrs. Bell?

B: She's fine. And I saw my daughter.

HMJr: How is she?

B: She's fine, too.

HMJr: Good.

B: And saw Delia. She wanted to be remembered to you.

HMJr: Good. I think....

B: I've got the group here.

HMJr: Yeah. The best news I have is I think Mrs. Morgenthau is going to be able to come up here next Saturday.

B: Oh, isn't that fine.

HMJr: Yeah.

B: That's grand. Getting along all right now, huh?

HMJr: Well, the boy's coming back is what made her want to hurry up and get well.

B: Oh, that's fine. I hope she does.

HMJr: Now, I've been sending telegrams all Saturday and Sunday.

B: I have one.

HMJr: And you know what that group is that you got - I'll tell you - George Harrison was in the other day and he said he felt a little hurt. He thought he'd been fired - thought he was on that group and so forth and so on, see?

B: Yes.

HMJr: Now, I think I sent in a list to you that....

B: Yes, I have it. Smith, Burgess, Edwards, Brown, Spencer and Harrison.

HMJr: Well, there are some others. Fred Smith - Uh - Tom K. Smith.

B: Yes.

HMJr: You know that first group.

B: Well, that's the group that we had advising us before the A.B.A. came into the picture.

HMJr: I explained that to George....

B: Well, I did, too.

HMJr: Did you?

B: He understood it.

HMJr: Well, he still felt a little hurt.

B: (Laughs) Really?

HMJr: Why couldn't we weld those two groups?

B: Well, I suppose we could. The only thing is that that last group was picked by Hemingway....

HMJr: Well....

B: ....and if you recall, we asked him to put Spencer on and he said he'd already asked Mr. Steele and he came from a smaller bank which he wanted to give a chance.

HMJr: Well, this is what my thought is - uh - we want to talk about the basket don't we?

B: Yes, sir.

HMJr: Well, why can't we have the A.B.A. group and I could have a - three or four special advisors to me sit in - what harm can that be in order - I don't want to hold three meetings.

B: I see no objection to that. Just call your regular advisory group and then have these other fellows on the side.

HMJr: Yeah. You mean as the regular advisory of the A.B.A.

B: That's right.

HMJr: Then these two or three who are not on the committee.

B: I think that's all right and probably better.

HMJr: And now what would you say if I had them, say, for eleven o'clock Thursday?

B: I think that's all right if I can get them.

HMJr: Well, you can invite them and if they don't want to come, that's too bad.

B: Yes.

HMJr: Now, I don't think I'm going to have them for lunch - it's too hard to get food these days.

B: That's right. Let them buy their own lunch.

HMJr: What?

B: Let 'em buy their own lunch.

HMJr: Yeah.

B: Uh - it may be a short notice. Would you want the full A.B.A. committee?

HMJr: Leave that to them, Dan.

B: I'll call Hemingway.

HMJr: Yeah - but I would get out telegrams this morning....

B: All right.

HMJr: ....for eleven o'clock Thursday and will you tell FitzGerald?

B: Yes, sir, I will.

HMJr: Now, there's another thing - uh - on today's financial page of the Times is the first half-way friendly article on redemption, comparing our redemptions with Canada....

B: Uh huh.

HMJr: ....and giving us a break and I wondered if anybody in Washington had anything to do with that - I mean whether this fellow Prenosil or what ever his name is.

B: I don't know - Prenosil - I don't know whether he did or not.

HMJr: Well, Fred Smith might check up.

B: (Talks aside) Fred Smith says that Prenosil did cover New York....

HMJr: Well....

B: ....and whether he had anything to do with this particular one he don't....

HMJr: You read that story because it's the first friendly story we've got on redemption.

B: I'll check it up.

HMJr: And, another thing - my local paper here had an A.P. story out of Washington in which it said the fight would be - it was sort of partly quoting George, "The fight was going to be for the sales tax, compulsory savings as against additional new taxes."

B: Yes, sir. I saw that.

HMJr: And that's the thing that I forecast would happen.

B: And I understand Barkley made some statement that he thought undoubtedly this enforced savings would be a subject for a long discussion.

HMJr: Right.

B: I saw that yesterday.

HMJr: Now, Dan, I wish you'd bring yourself up to date on what I've been doing with Norman Thompson and Bell on on the War Finance Organization, see?

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B: Uh huh.

HMJr: Because I'm going to hit that again at nine o'clock tomorrow morning.

B: All right.

HMJr: In fact, I announce now, I want a 9:30 group at 9 o'clock provided Sullivan can get there.

B: (Laughs) He heard you.

HMJr: He heard me? Does he look sleepy?

B: No, he doesn't look sleepy.

HMJr: He doesn't. Well, good. Now, do you want to ask me anything? I've got a couple of other things.

B: No, I haven't anything. I'll see if any of this group has. (Pause) Nothing, except Joe O'Connell has got something to talk to you about on the General Aniline and Film.

HMJr: All right.

B: Do you want to talk to him now or do you want to go ahead with your....

HMJr: Well, I've just got a few minor things which I'll....

B: Good.

HMJr: ....which I'll talk at you and then you can parcel them out. They're only little things.

B: All right. Go ahead.

HMJr: I don't know - a week or two ago we were supposed to send either letter #1 or letter #2 of War Finance to all the Congressmen, and I wondered what the reaction was - if Fred Smith could contact Mrs. Forbush - maybe he could let me know tomorrow.

B: All right. He's right here.

HMJr: Did he hear that?

B: It went to all the Congressmen and to the Committee.

HMJr: Well, I'd like to know....

B: Oh, wait a minute, just the Committee heads and he will check up on it and get the reaction.

HMJr: He will check up?

B: Yes.

HMJr: Then, another thing which I want to suggest to War Finance - I - for instance, if we want to get out some uh - mailing of something, there must be literally hundreds and hundreds of wives of officers in Washington who would be glad to volunteer for half a day. And I think Norman Thompson ought to get up a sort of a roster. If we've got to get out something in a hurry, we'd call on these people for volunteers.

B: Just to come in and work....

HMJr: For a half a day - to come in either the morning or the afternoon.

B: Well, you know the Red Cross has quite a list of people who will come in and work and Mr. Bell is quite familiar with it.

HMJr: Well....

B: All they do is call them up and the come down and work for half a day or a day.

HMJr: Well, I know they have these rush jobs over at War Finance and if they knew where they could get twenty-five or fifty girls - they'd come in....

B: Yes.

HMJr: Tell Norman to look into it.

B: All right.

HMJr: Will you?

B: Yes, sir.

HMJr: And then that's all I've got but I want to ask Harry White something if he's there.

B: Harry.

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Harry  
White: Hello.

HMJr: Hello, Harry.

W: Good morning.

HMJr: Good morning. Harry, did we get off that cable to Winant about....

W: We did, yes. Yes, sir.

HMJr: Well, will you give Miss Chauncey a copy if you have not done so, so I can....

W: I think she has but I'll make certain.

HMJr: ....I want to use that as a follow-up if I don't hear from Halifax by tomorrow.

W: All right.

HMJr: And I think you might send a follow-up today to Winant and ask him how it's coming.

W: Yeah. I think we ought to give him another day or two.

HMJr: Oh, no. He's had time enough.

W: All right.

HMJr: Send him a follow-up....

W: I'll have one ready for you....

HMJr: What?

W: I'll have a cable ready for you.

HMJr: I mean a follow-up cable.

W: Yes.

HMJr: Okay. And if you have no engagement, Harry, hold tomorrow night open, will you? I'm taking option on it.

W: I have, but I can see what I can do to cancel it - let's say a certain part of the time.

HMJr: Well, you know, you wanted to go over that stuff with me.

W: That's right. What hours do you have in mind?

HMJr: What hour? Seven-thirty to one minute of nine.

W: Okay.

HMJr: (Laughs) All right.

W: I'll keep those open.

HMJr: What hours have you got in mind?

W: (Laughs) Well, that kind of infringes on the hours I had in mind, but I'll change my schedule.

HMJr: Don't do that. Maybe we could work it in during the day time. Don't do it.

W: All right.

HMJr: Don't disturb yourself.

W: All right.

HMJr: And - uh - anyway....

W: You didn't hear anything further from that letter?

HMJr: No.

W: Oh.

HMJr: When you see me tomorrow, just say to me, "Mr. Morgenthau, what did you want to tell me about the Mission to Moscow?" - and I'll tell you something.

W: All right. All right, sir.

HMJr: The picture.....

W: All right, sir. It's Joe O'Connell. He wants you.

HMJr: All right.

Joe  
O'Connell: Hello, Mr. Secretary.

HMJr: Good morning.

O: Good morning. Bob McConnell called me Saturday and tells me that he has submitted his resignation as President of General Aniline.

HMJr: Yeah.

O: The meeting is scheduled - an adjourned meeting is going to be held tomorrow morning..

HMJr: Yeah.

O: ...or tomorrow sometime, and they're electing a new slate of fifteen directors.

HMJr: Oh-oh!

O: McConnell tells me that there are some new faces but that as far as he's concerned the general set-up is as bad as the other one or worse. Now, he did not feel free to talk because he was under something of a ban as far as talking very freely is concerned. He did indicate to me that in addition to his objections to the set-up of the new board,...

HMJr: Yeah.

O: ...he had gotten into a position of having very fundamental differences with the Alien Property Custodian as to matters of general policy in the operations of the company.

HMJr: Yeah.

O: He was speaking rather vaguely because he was not permitted to speak until he had - his resignation had been accepted which, I understand, will be tomorrow.

HMJr: Oh. .

O: But I gathered there is some plan under way for a - tying in the operations of General Aniline with some South American interests - the disposition of a part of the stock to either South American governments or some South American interests, with which he has taken rather violent exception.

HMJr: Uh huh.

- C: That is all I know. I drafted a letter which I thought you might be willing to sign and send to Mr. McConnell in which I was having you say that you'd like to have him come in and see you. I did not know whether your thoughts on that had changed since we talked before.
- HMJr: No. I think he is a very able person.
- C: So do I.
- HMJr: Well, have you got the letter there?
- C: Yes, I have.
- HMJr: Supposing you read it and let everybody listen.
- C: It's got some bouquets in it, but I'll read it.
- HMJr: Sure.
- C: "Dear Mr. McConnell: I have just learned that you are resigning your positions as President and Chairman of the Board of General Aniline and Film Corporation after having served in those capacities since March 16 of last year. Mindful of the fact that at my insistence you took on the job of running the affairs of this important German dominated industrial concern when the Government seized it, I could not let the occasion pass without indicating to you my appreciation for the yeoman service you have performed. I realized full well that the task of operating that company successfully, stripped as it had been of most of its executive personnel when you entered the picture, would not be an easy one. Furthermore, it was essential that the Company be reorganized in such fashion that it would make the maximum contribution to the war effort. Your problem was complicated by the necessity of making very substantial changes in the personnel you inherited in order that the national security might not be endangered by the continuance of potentially disloyal and thus dangerous individuals in responsible positions with the company. It has been with a feeling of pride that I have followed the activities of the company under your guidance, not only during the period when you were responsible to me as Secretary of the Treasury and were operating under the General instructions I gave you at the time of your selection, but also in the more recent period during which your operations have been carried on under the supervision of the Alien Property Custodian, whose office succeeded the responsibilities of the Treasury Department in this matter late in April of last year. The results you

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- O:  
(Cont'd) have achieved have amply justified the confidence that was reposed in you and both you and I, but particularly you, may look back upon your period of service with a great deal of personal gratification. Certainly it was a difficult job done extraordinarily well. I should like very much to have you come in to see me at your convenience. Sincerely yours."
- HMJr: The only - it's an excellent letter - I'd only add, "At your early convenience."
- O: At your earliest convenience. That would be, I think, about Thursday of this week because the meeting is tomorrow and he - I gathered from him that he was planning to be in Washington about that time.
- HMJr: Well, when does he want this letter?
- O: Well, he's - he's leaving that up to you. I thought it would be nice if the letter could get to him tomorrow. That's the day of the stockholder's meeting. I don't know that he has any - he has no intention of using it other than that he would like to - this is about all he is getting out of this year and a half.
- HMJr: Well, why don't you do this. Send him the letter in the form of a telegram - see?
- O: Yeah.
- HMJr: And tell him I will confirm it with a signed letter when I get to Washington tomorrow.
- O: Right.
- HMJr: Now, there's one thing. I'd like very much to know whether Fred Smith has any comments on this. He knows some of its background.
- O: Well, he's sitting right across the table. (Talks aside) He has no particular comment. He says he thinks it is a good letter.
- HMJr: I mean - he thinks that - 'course this man will make this public - does he think it's all right?
- O: Well, Fred (Talks aside)

HMJr: Hello.

O: Well, Fred thinks that quite possibly we might cut out the material that I have in - in here with reference to the period under which - during which he was under the supervision of the Alien Property Custodian. He suggests that possibly we might say that you have followed with pride the activity of the company not only during the period that you were - that he was responsible to you but since. Period. Without reference to the detail as to the Alien Property Custodian.

HMJr: I think that's....

O: Yeah.

HMJr: That's an improvement.

O: Yeah.

HMJr: I was afraid that somewhere or other Fred would bring in the word "sweat" - he's got a passion for sweat.

O: Well, it's too early in the morning for sweating I think.

HMJr: I see. (Laughs) He doesn't want to bring in the word and say that....

O: Hello.

HMJr: ....and say "while you sweated under the Alien Property Custodian."

O: (Laughs) Well that would be a change, too. I don't know whether that would be an improvement or not. Well, why don't we cut that latter part out and shorten it to that extent?

HMJr: You could send it as a telegram signed - and say when I get in tomorrow....

O: Right.

HMJr: ....I'll send him a formal letter.

O: All right. That's fine.

HMJr: I think that's all right. Of course, if I could get him, which I imagine I could, I think I'd much rather have him than I would this unknown man in New York.

- O: That's what Chuck and I hoped you would say. We'd been talking about that a bit over the week-end....
- HMJr: Yeah.
- O: ....and we know him. We know he's a very competent fellow....
- HMJr: Yeah.
- O: ....and while I haven't run down the other man entirely yet, he's - and he looks all right what we have seen of him - but very active in business right now.
- HMJr: Oh, he is?
- O: Yeah.
- HMJr: Well, I'd much rather have ....
- O: Well, that's fine.
- HMJr: ....this man, although I know he had some tax troubles and all that but that's all behind him.
- O: Oh, those are all straightened out. And....
- HMJr: There was nothing that wasn't perfectly honorable was there?
- O: Absolutely not. No, sir. The record - his record is absolutely sound on that - in fact, he got a pretty sizable refund at the final end up of that tax case.
- HMJr: Oh, he did?
- O: Yeah.
- HMJr: You don't think I ought to ask McConnell to come and see me at the hospital tonight?
- O: Well.....
- HMJr: I....
- O: I could do that. I know how I could reach him if you think you'd like to see him. I think he could give you more detail now than he was able to give me. I don't think there is anything can be done to stop the thing tomorrow.

HMJr: Well, after all, I've done all I could.

O: Yeah.

HMJr: Maybe it would be just as well not.

O: Yeah. By the way, did you know that he is a fairly close friend and has been for a long time to Mr. Baruch?

HMJr: No.

HMJr: Yeah.

HMJr: No, I did not.

O: That's my understanding.

HMJr: No. I mean - I'm just thinking out loud - supposing he gives me all the dirt. What can I do?

O: Nothing.

HMJr: I've gone - I've gone to the President on this once.

O: That's right.

HMJr: What?

O: That's right. Well, I thought you might want to talk to him tonight about the other project. That's the only purpose I could see.

HMJr: Oh!

O: But that could wait very well until he comes down later in the week.

HMJr: What do the people think? Should I try to get the dirt once more or - I - I've gone all through it once - the President knows about it - Jimmie Byrnes knows about it....

O: (To others: What do you think? - - - general discussion aside). Fred Smith doesn't think you ought to go further and that's certainly the way I feel about it and I don't guess the other people here are familiar enough with it - the background - to have any particular comment. I think we ought to just send him the telegram saying you want to talk to him later in the week when he comes down.

HMJr: Yeah, well, you could tell him because I don't think I'll be there more than three days and he'll have - he better make an appointment.

O: Well, I'll do that if I can get your schedule fairly well. I can do that with him today.

HMJr: I don't - do either of the girls know my schedule for Thursday?

O: (Aside: Do you know? Will he be here Thursday? Yes, the Secretary. Do you know his schedule?)

HMJr: How about ten o'clock Thursday?

O: (Aside: What's on at eleven? - Answer: The bankers). Oh-oh, the bankers are going to be here at eleven on Thursday.

HMJr: Well, what about ten o'clock?

O: Well, let's see, Miss Chauncey is coming in right....

HMJr: What about ten o'clock?

O: Press conference at ten-thirty.

HMJr: Well, half an....

O: Ten o'clock.

HMJr: ....hour will be enough.

O: Half an hour.

HMJr: Ten o'clock.

O: Ten o'clock Thursday morning.

HMJr: Why not give him ten o'clock.

O: Okay. All right. I'll talk with him and tell him that.

HMJr: All right. You and Chuck feel he'd be the best man?

O: Yeah.

HMJr: What?

- O: Yes, much the best of the two because we know him. He's a - he's a competent fellow. We might not always agree with him but he's certainly smart.
- HMJr: That's right. I think we can leave it till - that way and then get him off this telegram and letter to follow.
- O: All right, sir. That's fine. Do you have anything else for anyone else.
- HMJr: No, except that I just hope that they're going to be ready for Mr. Baruch at one o'clock on Wednesday. Does anybody know?
- O: Just a minute. (Aside: He says he just hopes you'll be ready for Mr. Baruch at one o'clock on Wednesday.) Oh, yes. Fred Smith says he's sure they will be.
- HMJr: Is Haas present?
- O: Yeah. He's here.
- HMJr: Well....
- O: He seconds the motion. (Brief discussion) Chuck - Fred says you got a couple of fellows from the Army to help, too.
- HMJr: To help Banyas, yeah. I have nothing else.
- O: All right, sir.
- HMJr: Thank you all.
- O: Thank you. Good bye.

The Secretary

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Contingent Expenses

July 12, 1943

Hon. Robert E. McConnell  
Room 1548  
230 Park Avenue  
New York, N. Y.

I have just learned that you are resigning your positions as President and Chairman of the Board of General Aniline and Film Corporation, after having served in those capacities since March sixteen of last year STOP Mindful of the fact that at my insistence you took on the job of running the affairs of this important German-dominated industrial enterprise when the Government seized it, I could not let the occasion pass without indicating to you my appreciation for the yeoman service you performed STOP I realized full well that the task of operating that company successfully, stripped as it had been of much of its executive personnel when you entered the picture, would not be an easy one STOP Furthermore, it was essential that the company be reorganized in such fashion that it would make the maximum contribution to the war effort STOP Your problem was complicated by the necessity of making very substantial changes in the personnel you inherited, in order that the national security might not be endangered by a continuance of potentially disloyal, and thus dangerous, individuals in responsible positions with the company STOP It has been with a feeling of pride that I have followed the activities of the company under your guidance, not only during the period when you were responsible to me as Secretary of the Treasury and were operating under the general instructions I gave you at the time of your selection, but since then STOP The results you have achieved have amply justified the confidence that was reposed in you, and both you and I, but particularly you, may look back upon your period of service with a great deal of personal gratification STOP Certainly it was a difficult job done extraordinarily well STOP I should like very much to have you come in to see me at your earliest convenience STOP Letter to the same effect as foregoing follows

H. Morgenthau, Jr.  
Secretary of the Treasury.

JJO'C.Jr/lsw

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE July 12, 1943.

TO Mrs. McHugh

FROM Fred Smith *FS*

You can tell the boss I beat him to the punch on this one. Dr. Likert is including in his plans for Buffalo a complete check on how withholding is working, what its impact is, and how families have readjusted their spendings and savings schedules to accommodate the withholding.

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FRED SMITH

TREASURY DEPARTMENT

OFFICE SECY OF TREASURY DLR MONDAY 830 AM

WHEN DOCTOR LIKERT MAKES HIS SURVEY IN BUFFALO SUGGEST HE  
CHECK UP ON HOW THE WITHHOLDING TAX IS WORKING. COPY TO MRS

KLOTZ

HENRY MORGENTHAU JR.

737 AM JUL 12 1943.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 12, 1943

TO Secretary Morgenthau

FROM Fred Smith *FS*

The article on redemptions, which you saw in the New York Times was widely distributed over Associated Press wires.

It was written by Jerry Muchmore of the New York financial news staff of the Associated Press, and was based on material supplied in our bulletin to financial writers on bond redemptions.

Mr. Prenosil had an interview with Victor Hackler, general Financial Editor of the Associated Press last week. He promised full cooperation on War Bond publicity, and started to carry out his promise with this article. At our suggestion he made an independent study of the Canadian situation before writing the attached article.

Mr. Prenosil has thanked Mr. Hacker, and has told him that we are preparing a bulletin showing that, contrary to the impression in some quarters, war plant workers with high incomes buy the bulk of securities on the payroll savings plan, and thus it is draining off dangerous money. He said he would be interested and would give wide distribution to the material.

## BOND REDEMPTIONS LESS THAN 6% IN U. S.

Figure Covers Entire Period  
Since 'Defense' Issues Were  
Offered Originally

### CANADIAN RATE IS HIGHER

But Officials Here Await the  
Effects of Withholding  
Levy on Holders

By The Associated Press.

Will Americans turn their war bonds into cash and reduce their purchases now that wage earners are feeling the bite of the withholding tax?

Government and private financial leaders hope not, for those bonds are a double-barreled way of helping to fight inflation now and helping to re-establish normal markets after the war ends. In the meantime they help pay for a tremendously costly war.

Inflation-conscious investment circles are studying Canada's experience with war savings certificates under a pay-as-you-go income tax plan to help them guess what may happen to U. S. war bond sales now that withholding has begun.

Government leaders have asked Americans to increase their bond purchases as one of the best ways to put aside the temptation to spend money in inflationary ways.

Private economists have expressed a belief war bonds sales might slump with the inception of withholding. To counteract this possibility, the Treasury has emphasized that pay-as-you-go does not increase taxes, that it merely provides a way for the taxpayer to end the year with income taxes paid.

### Canada Adopts Pay-as-You-Go

Canada went a withholding-tax basis last year, and made it virtually complete pay-as-you-go early this year.

But in March, after Finance Minister J. L. Halsey announced a step-up in deduction rates, redemptions of Canada's war savings certificates—which resemble our war bonds—jumped to 34 per cent of the total sold, against 27 per cent in February.

The redemption rate continued to increase; in April equalling 43.4 per cent of sales, and then climbing to 47.8 per cent in May, latest figure available.

In the United States redemptions have been far below those percentages. Canada's 1942 experience showed redemptions of about 26 per cent. For the United States the 1942 average was 3.9 per cent.

As the total of outstanding bonds increases, redemptions naturally tend to rise in relation to monthly sales. In June they equaled 15.3 per cent, estimates of the Federal Reserve Board indicate. But for the entire period since "defense" bonds, now "war" bonds, were first offered, redemptions have been less than 6 per cent.

### Redemptions Here a Question

The question is whether Americans, feeling the reduction in take-home pay as a result of withholding taxes, will boost redemptions toward the Canadian percentages.

Redemptions have worried the Canadian National War Finance Committee to the point that it urged recently that the public be educated to the importance of holding the certificates.

"Although it is obvious that sales of these instruments can be expected to increase as public holdings increase," the committee said in a statement, "there is still evidence of misunderstanding and irresponsibility on the part of the general public."

Aside from increased turn-ins of certificates, the Canadian figures available show that May sales there were smaller than for any month in 1942, at \$5,500,208. During 1942 the average was above \$6,800,000 a month.

In the United States so far war bond sales have been rising at a fairly steady rate, although there was a drop in June compared with the billion-dollar months of April and May, when the Second War Loan drive was under way.

COMINCH FILE

## UNITED STATES FLEET

HEADQUARTERS OF THE COMMANDER IN CHIEF  
NAVY DEPARTMENT, WASHINGTON, D. C.

July 12, 1943.

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

Dear Mr. Secretary:

I have received your letter of July 9 relative to the procedure for handling War Bond allotments by officers and enlisted men of the Navy.

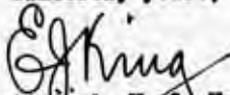
I am this date recommending to the Secretary of the Navy that he promulgate to all ships and stations a letter clarifying the procedure for the purchase of War Bonds by those officers and men stationed outside the continental limits of the United States. This proposed letter directs that adequate facilities be made available to assure all officers and enlisted personnel the opportunity of registering allotments for the purchase of War Bonds. Competitive campaigns, or ratings, or high pressure selling campaigns are not, however, to be conducted for the reason that this would not be appropriate to the work the operating forces are required to do.

Ships and stations are advised that issuing agencies have been established at bases outside the United States for the cash sale of bonds, and that other agencies with trained War Bond Sales Officers will be established upon the recommendation of the Fleet Commanders in Chief concerned. Naval agencies are not to be established at those stations where naval personnel are adequately served by Army organizations.

The proposed letter, as drafted for the Secretary of the Navy will best meet the requirements of Naval, Marine and Coast Guard personnel in the war areas without being detrimental to their actual combat effort.

Your help and interest are much appreciated.

Sincerely yours,

  
Admiral, U. S. Navy.

7-12-43

## TREASURY DEPARTMENT

Commissioner of Accounts

To Secretary Morgenthau

You probably will be interested to know that I received a telephone call from Capt. Ubant, Navy Board Promotional Officer, highly congratulating you for the skillful way in which you handled the Admiral King situation. He said it was the best thing that could have happened in the interest of the Navy Board program and was highly related.

Mr. Bartelt

Respectfully  
E. F. Bartelt

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 12, 1943

TO Secretary ~~W~~ Morgenthau  
 FROM Mr. ~~H~~ ~~A~~ ~~R~~ ~~E~~  
 Subject: The Business Situation,  
 Week ending July 10, 1943.

Summary

Wage control: The War Labor Board continues to be confronted with heavy pressure for wage increases, and has again warned that the failure to stabilize living costs constitutes a threat to the maintenance of the "Little Steel" formula. The nation's shipbuilding workers, in addition to other labor groups, are now demanding a wage increase to compensate for increased living costs. Aside from the large number of workers involved, this demand derives special significance from the fact that average hourly and weekly earnings of shipbuilding workers are already in excess of nearly all other groups.

Cost of foods: The BLS cost-of-foods index declined 0.5 percent in June, marking the first downturn in the index since November 1940. Despite the decline, the index is still 12.1 percent above September 1942 level, to which level labor demands that prices be rolled back. The 10 percent roll-back in butter prices was the most important factor in the June decline in the index.

Crop prospects: Generally favorable weather has improved crop prospects in recent weeks and aggregate crop production in 1943 was forecast, as of July 1, at 114 percent of the 1923-32 average. This compares with the record crop of 126 percent in 1942. Record or near-record production of flaxseed, soybeans, peanuts, beans, dry peas, potatoes, and sweet potatoes, which are regarded as "war crops", is expected.

Steel production: Work stoppages and picketing at Pennsylvania coal mines continue to hamper steel operations in the Pittsburgh district, and U. S. Steel subsidiaries were forced to bank 13 blast furnaces in the area by the end of last week.

Retail trade: Due largely to the stimulus of heavy shoe buying, department store sales in June failed to show the usual seasonal decline, and the FNB adjusted index of sales rose to 12 from 125 in May. Sales during the month (in dollar volume) ran 24 percent above last year's level.

- - - -

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### War Labor Board warns price rise threatens wage control

The removal of the legislative threat to subsidized rollbacks on food prices should strengthen the hand of administrative agencies in coping with the demand of labor groups that the "Little Steel" formula be scrapped unless prices are rolled back. The War Labor Board, in a decision during the past week, again warned that the failure to stabilize living costs was threatening the maintenance of the "Little Steel" formula. In this connection the WLB chairman estimated that a 10 percent increase in the wage advance permitted under the formula would add \$6 billions to the nation's payroll, with prices skyrocketing as a result.

With wage demands of the coal miners and railroad workers still unsettled, 1,100,000 shipyard workers are now demanding wage increases in what is said to be the largest case yet to come before the War Labor Board. In advancing their demands, the workers contend that they gave up automatic wage adjustment provisions in 1942 in exchange for a promise that wages would be adjusted if the line were not held on living costs. In asserting that the line has not been held, it is claimed that the cost of living in the past year has risen even faster than the BLS figures indicate, and that a wage increase will have to be forthcoming if the Government is to fulfill its promises to labor.

Aside from the large number of workers involved and the critical nature of the industry, additional significance attaches to the shipbuilding workers' demands in view of the high wages that are already being paid in this industry. Thus, BLS data for April, the latest month available, reveal that average hourly and weekly earnings of shipbuilding workers exceeded those of any other manufacturing group, with the sole exception of workers in the aircraft engine plants where earnings were a trifle higher. Average earnings of shipbuilding workers in April were \$1.25 an hour and \$59.81 a week, in comparison with average earnings of 94 cents hourly and \$42.43 weekly for all factory workers.

### Cost of foods decline

An encouraging development in the program to stabilize living costs was a decline of 0.8 percent in the BLS cost-of-food index in June, according to confidential preliminary figures. This decline marks the first downturn in the index since November 1940. The index is now 12.1 percent above

- 3 -

the level of September 1942, to which labor groups demand that prices be rolled back, and 51.6 percent above the pre-war level of June 1939.

The 10 percent rollback in butter prices was the most important factor in the June decline in the index. Prices of fresh vegetables, however, were noticeably lower due to seasonal downturns in prices of green beans, cabbage, lettuce, spinach and potatoes. In contrast, egg prices advanced 3.0 percent in line with the seasonal upward adjustment in the ceiling price. Other food prices showed practically no change.

Although it was expected by the OPA that the imposing of community ceilings would tend to reduce food costs by discouraging black markets, the BLS figures thus far do not appear to substantiate this theory. However, since it is doubtful whether above-ceiling prices have been reported to the BLS, the elimination of black market prices may not affect the food index.

Reference to Chart 1 will show that retail and wholesale food prices since 1940 have followed a substantially similar pattern, although wholesale food prices have shown a larger increase for the entire period. However, retail food prices have risen 16.7 percent since May 1942 when the General Maximum Price Regulation became effective, as compared with a 10.8 percent increase in wholesale food prices. This may indicate more effective control of wholesale prices, but no positive conclusions should be drawn because the indexes do not cover the same areas nor exactly the same foods.

#### Marketing margins increase recently

Despite the large increase in the cost of food during the past two and one-half years, marketing margins showed little change up until the last few months, according to figures of the Department of Agriculture. In other words, most of the increase in food prices went to the farmer, while the middlemen continued to receive about the same amount of money per unit of sale. (See Chart 2.)

Food marketing margins, however, have increased rapidly since February, according to the Department of Agriculture figures. While the annual retail cost of 58 foods advanced from \$432 in February to \$475 in May (upper line on Chart 2), only \$15 of this was due to higher farm prices, while \$28

- 4 -

represented an increased toll taken by intermediaries--apparently going chiefly to retailers. A decline in the farm prices of live meat animals, between February and May, while retail meat prices actually increased slightly in that period, partly accounted for the increase in marketing margins. Moreover, the sharp increase in prices of apples, potatoes, and sweet potatoes went largely to the middlemen.

Although marketing margins remained quite stable during the war period until the last few months, labor costs of middlemen have increased sharply. Average hourly earnings of marketing employees have risen more than 20 percent in the past two and one-half years. The increase in labor and other operating costs undoubtedly would have tended to squeeze middlemen if it had not been for the increase in their volume of business. Also middlemen have benefited from the shift in consumer demand to many high-priced luxury foods upon which margins are generally higher. (These items are not included in foods covered by the Department of Agriculture's figures.)

#### Vegetable prices reduced

A rollback of 50 percent in price ceilings of cabbage and 25 percent for lettuce was announced by OPA last week as the first step in cutting back excessive prices of important fresh fruits and vegetables. No subsidies will be used in the rollback, but advantage will be taken of the present seasonal decline. Ceilings at wholesale and terminal markets will be determined by a basing point price plus freight, and retail ceilings will be determined by a specified mark-up over cost. The regulation provides for monthly or seasonal changes in the ceiling prices for cabbage, but lettuce ceilings are apparently to remain unchanged. The new ceilings become effective July 20 and will replace previous temporary ceilings established in February.

Generally the prices for the vegetables covered by the order, and others which will follow, represent a rollback in prices to the maximum amount allowed under the legal limitations governing the pricing of raw agricultural commodities; that is, the highest price reached between January 1 and September 15, 1942 or the parity price. Allowance must be made for grade, location, and seasonal differentials.

- 5 -

New mark-up program announced

An over-all fixed mark-up price program for most food products was announced last week by the OPA. The regulation applies to both the wholesale and retail levels of distribution and is designed to simplify and replace a large number of separate maximum price ceilings which have been previously issued. The effective date of the order for wholesalers and large retailers is July 26, and for small retailers, August 5.

It is estimated that 95 percent of all dry groceries and 75 percent of all fresh vegetables are covered by the new order. Major grocery store items not included, however, are beer, liquors, candy, bread, milk, ice cream, fresh fish and tobacco.

Ceiling prices of perishable commodities are figured by all groups of retailers each Thursday for a week on the basis of the net delivered cost of the largest purchase received in the seven-day period before that Thursday.

Increases in the mark-up for some minor canned fruits and vegetables, rice, pickles, and relishes are provided in the order; however, OPA stated that the new regulation would maintain the same general level of prices which was in effect April 8, when the President issued his hold-the-line order. The increased mark-ups simply restore in part a cut-back which occurred May 17.

The regulation does not affect prices in the 200 communities where dollar-and-cents ceilings are now in effect. Moreover, the extension of community ceiling prices will gradually replace the order in many places.

Commodity prices fractionally lower

Commodity prices were influenced by Congressional developments last week, and earlier price gains were wiped out by the failure of Congress to raise the corn ceiling or to check the use of subsidy payments. The BLS index of 28 basic commodities declined fractionally. (See Chart 3.) Wheat and cotton prices were somewhat lower and, as a result of heavy marketings, hog prices declined 3 percent to around the Government support level of \$13.75 per hundredweight. With feed barley in excellent demand as a substitute for corn, barley prices moved higher. Rosin prices increased noticeably.

- 6 -

The BIS all-commodity index in the week ending July 3 declined slightly to 103.0. After three consecutive declines the index is now 1.0 percent below the peak reached at the end of May, although 37.3 percent above the pre-war level of August 1939. Seasonally-lower prices for fresh fruits and vegetables, and a 7 percent decrease in bacon prices were largely responsible for the decline in the index.

#### Crop prospects improve

With the improvement in weather conditions in recent weeks, crop prospects are now generally favorable, according to the July 1 crop report of the Department of Agriculture. Aggregate crop production in 1943 seems likely to be at a relatively high level, 114 percent of the 1923-32 average, but considerably below the phenomenal showing of 126 percent in 1942. The 1943 figure includes crops not yet planted or not yet estimated, and allows for normal losses from drought and other causes. Growing conditions appear favorable in all except a few states and crop improvement has continued during the first week of July, according to the latest crop bulletin of the Weather Bureau. A large crop would undoubtedly have some moderating influence on food prices.

However, the crops are off to a late and uneven start, especially in the east-central and northeastern parts of the country. In spite of the late plantings, the harvested acreage of the 52 principal field crops is expected to be almost 347 million acres, as compared with 340 millions last year.

The aggregate area of "war crops" (flaxseed, soybeans, pecanuts, beans, dry peas, potatoes, and sweet potatoes) shows an increase of nearly 5 million acres over last year. Record or near-record production of these crops is forecast.

While the area in corn has been increased 5 million acres, the corn crop is estimated at 2,707 million bushels as compared with 3,175 millions produced in 1942. Combining the forecasts of corn, oats, barley and sorghums for grain, the tonnage of these 4 feed grains seems likely to approximate 107 million tons, which would be 17 million less than in 1942. In view of the record livestock production this year, a harvest of feed grains no larger than is now indicated would necessitate some decrease in the rates of feeding and some reduction in the number of meat animals and poultry.

- 7 -

The wheat crop has improved since the June forecast and is now estimated 8 percent above expectations a month ago. Probable production is placed at 791 million bushels, which would be much below the bumper crop of 981 million bushels in 1942.

Production of deciduous fruits is forecast to be considerably lower than last year and somewhat below the 10-year 1932-41 average. In fact grapes are the only important deciduous fruit that appears likely to be in good supply in 1943. Peach, cherry, and pear crops will be much below average, and the condition of the commercial apple crop on July 1 was only 53 percent, or 12 points below that of July 1, 1942. Citrus fruit production, it is estimated, will approximate last season's crop. The total tonnage of all fruits for marketing during the 1943-44 season may be within 6 or 7 percent of the supply for 1942-43.

Factory employment slightly lower in  
May but payrolls rose

Despite further expansion in the aircraft and shipbuilding industries, the total number of factory workers employed in mid-May was about 37,000 less than a month earlier. Employment in the iron and steel industries declined, primarily as a result of the completion of certain Government contracts, while seasonal decreases in employment occurred in the textile and leather industries. Reference to Chart 4 will disclose that factory employment has shown relatively little net advance since the end of 1942.

In the face of the moderate reduction in employment, factory payrolls continued to forge ahead in May and showed a further rise of more than 1 percent. This continuing expansion in payrolls, despite a slight contraction in employment, indicates that the average weekly earnings of factory workers are still rising. By mid-May estimated average weekly earnings of factory workers (shown on Chart 4) were nearly 81 percent above the 1939 average, and were more than 20 percent higher than a year earlier.

Steel operations still hampered by coal strikes

Although steel operations were scheduled to rise 7 percent last week, continuance of picketing and work stoppages in the Pennsylvania coal mines continued to hamper operations.

- 8 -

As a result of labor troubles in the mines producing coal for the Pittsburgh steel mills, U. S. Steel Corporation subsidiaries in the Pittsburgh-Ohio area had to bank 13 furnaces by the end of the week. In addition, the important Clairton coke by-products plant was forced to operate at only 70 percent of capacity.

Slightly offsetting continued production difficulties in the Pittsburgh district, the Carnegie-Illinois blast furnace operations in the Chicago area were restored to full capacity last week as the No. 7 stack at the Gary plant resumed operations after a 10-month shutdown for rebuilding and enlargement. The rebuilt furnace's capacity is reported doubled, thus making it one of the world's largest.

Heavy fog and accidents continued to hinder iron ore shipments on the Great Lakes in June, as evidenced by the fact that shipments dropped 6 percent below the corresponding month last year despite an increase in the size of the ore fleet. As a result of the late start in the shipping season and the subsequent unfavorable weather conditions, this year's ore movement up to the end of June was 27 percent behind the corresponding period last year. In view of the deficit which will have to be made up in the remainder of the shipping season, it is fortunate that the new MacArthur lock at Sault Sainte Marie has just been opened. This is a deep draft lock which will permit heavier loading of the larger boats, and will also relieve the heavy dependence of the war program on the continuous functioning of the other locks at the Soo.

June department store sales failed to show usual seasonal decline

Department store sales normally show a seasonal decline in June, but the heavy wave of shoe buying in the first half of last month provided sufficient stimulus to maintain sales very close to May levels. As a consequence, the FRB adjusted index of sales for June rose to 129 from 125 in the previous month.

Following the mid-month buying flurry in June, department store sales dropped sharply but still ran substantially above year-earlier levels. (See Chart 5.) However, the gain of 30 percent in the week ended July 3 was partly due to the fact that the corresponding week last year had 1 less shopping day.

- 9 -

In contrast to a gain of 2 $\frac{1}{2}$  percent in June department store sales over the corresponding month last year, sales of mail order companies showed much narrower gains. However, Sears, Roebuck and Company sales in June ran above the previous year's levels for the first time since last October, although the gain was less than 1 percent. The comparable gain for Montgomery Ward and Company was nearly 3 percent. Indicative of the pinch of war-time goods shortages, the new Sears, Roebuck fall and winter catalogue reveals the elimination of around 250 articles, including such items as cotton sheets and pillowcases, alarm clocks, vacuum jugs, anti-freeze and wheelbarrows.

# FOOD PRICES

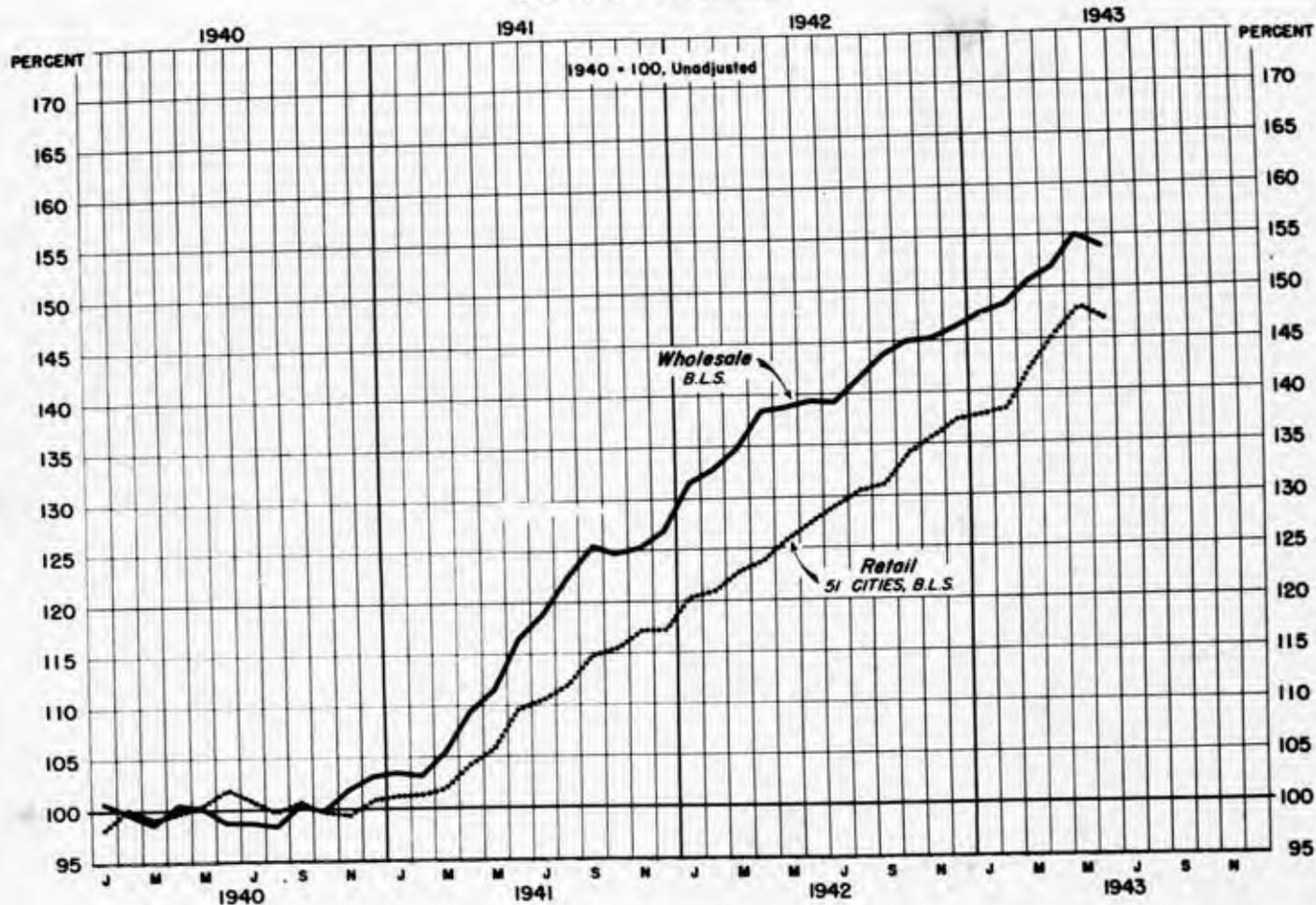
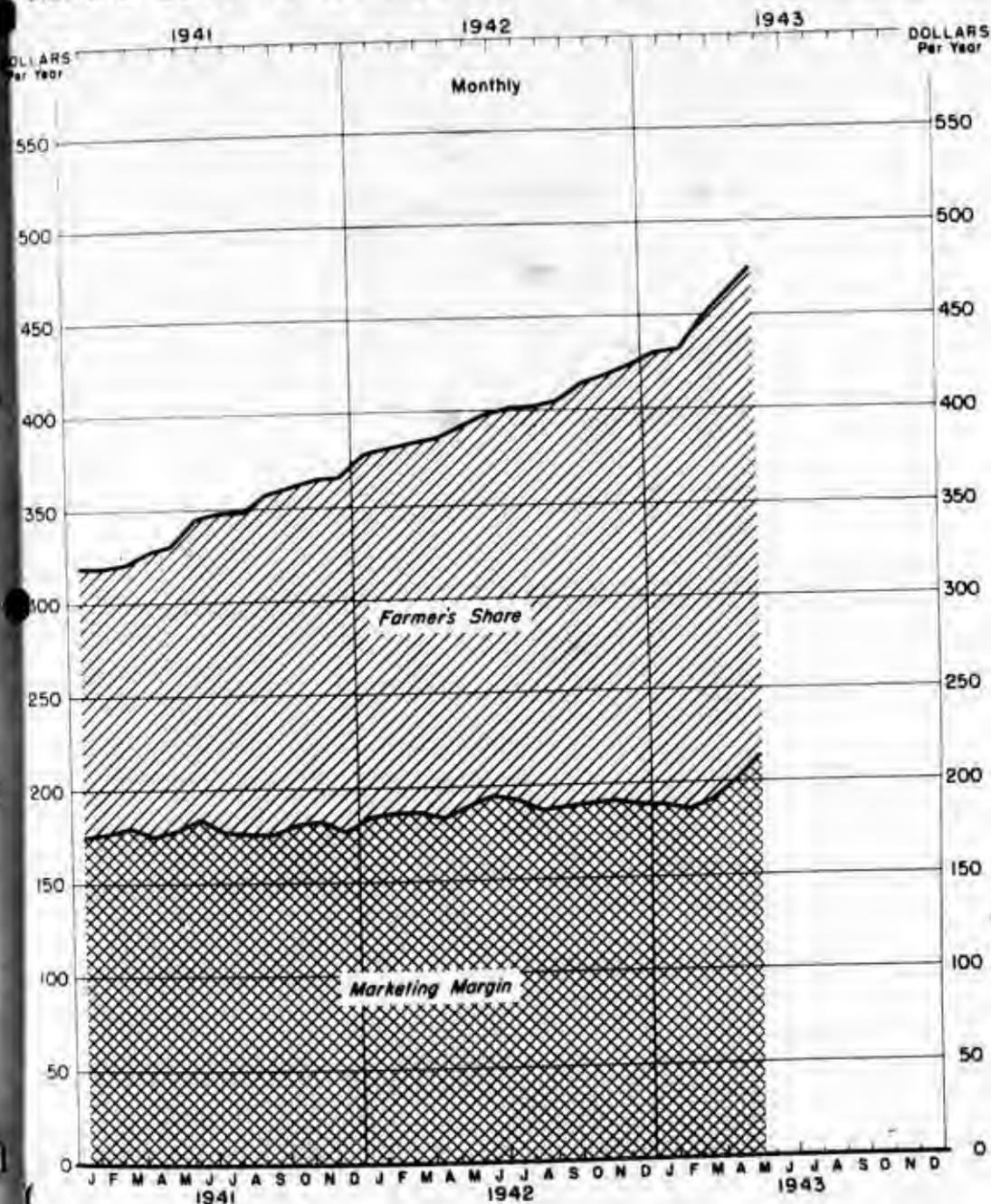


Chart 1  
 CONFIDENTIAL

# RETAIL COST OF 58 FOODS\* AND MARKETING MARGIN



Source: U.S.D.A.  
\*Annual purchases by a typical workingman's family.



# FACTORY EMPLOYMENT, PAYROLLS AND WAGES

1939 = 100, Unadjusted

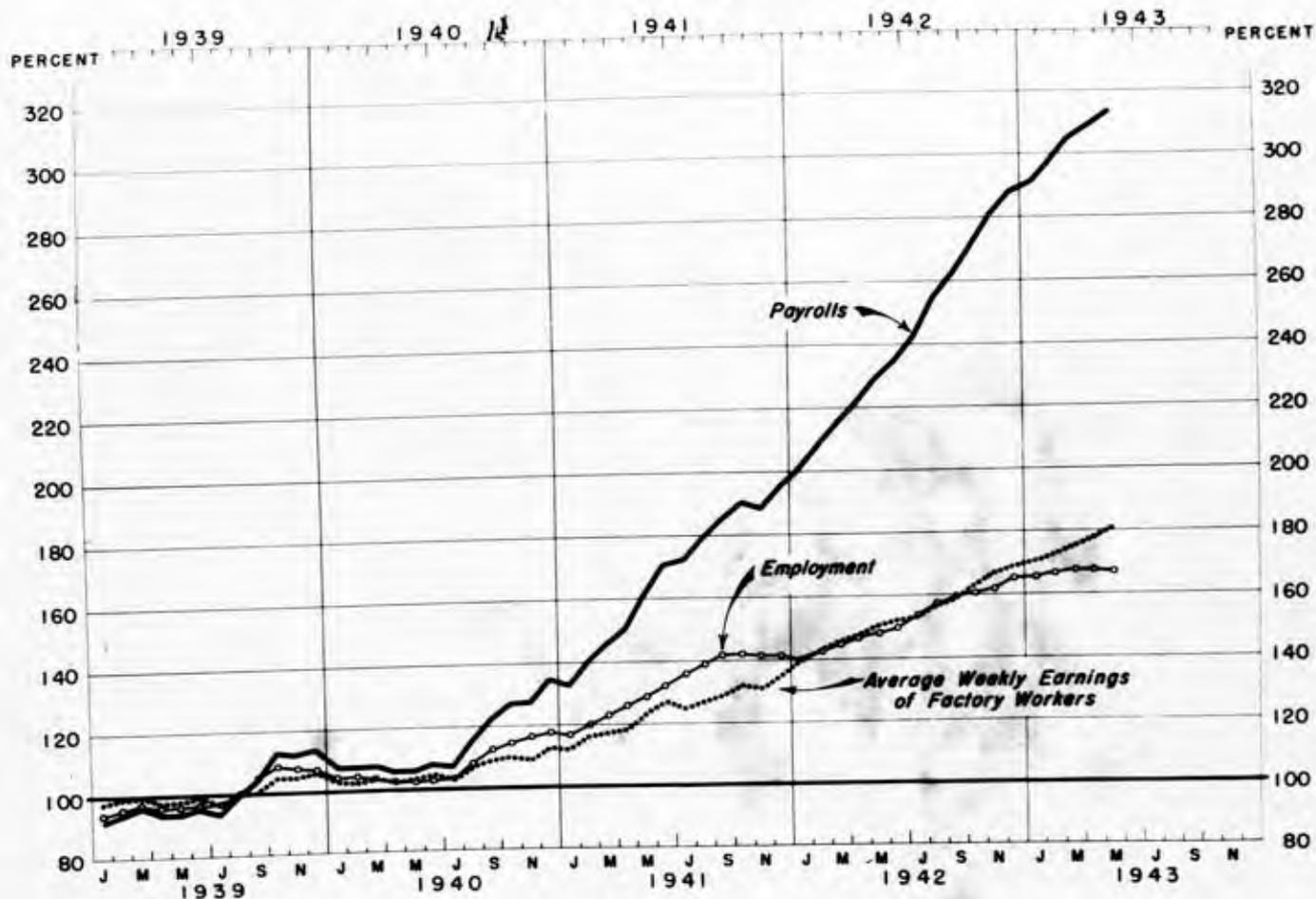
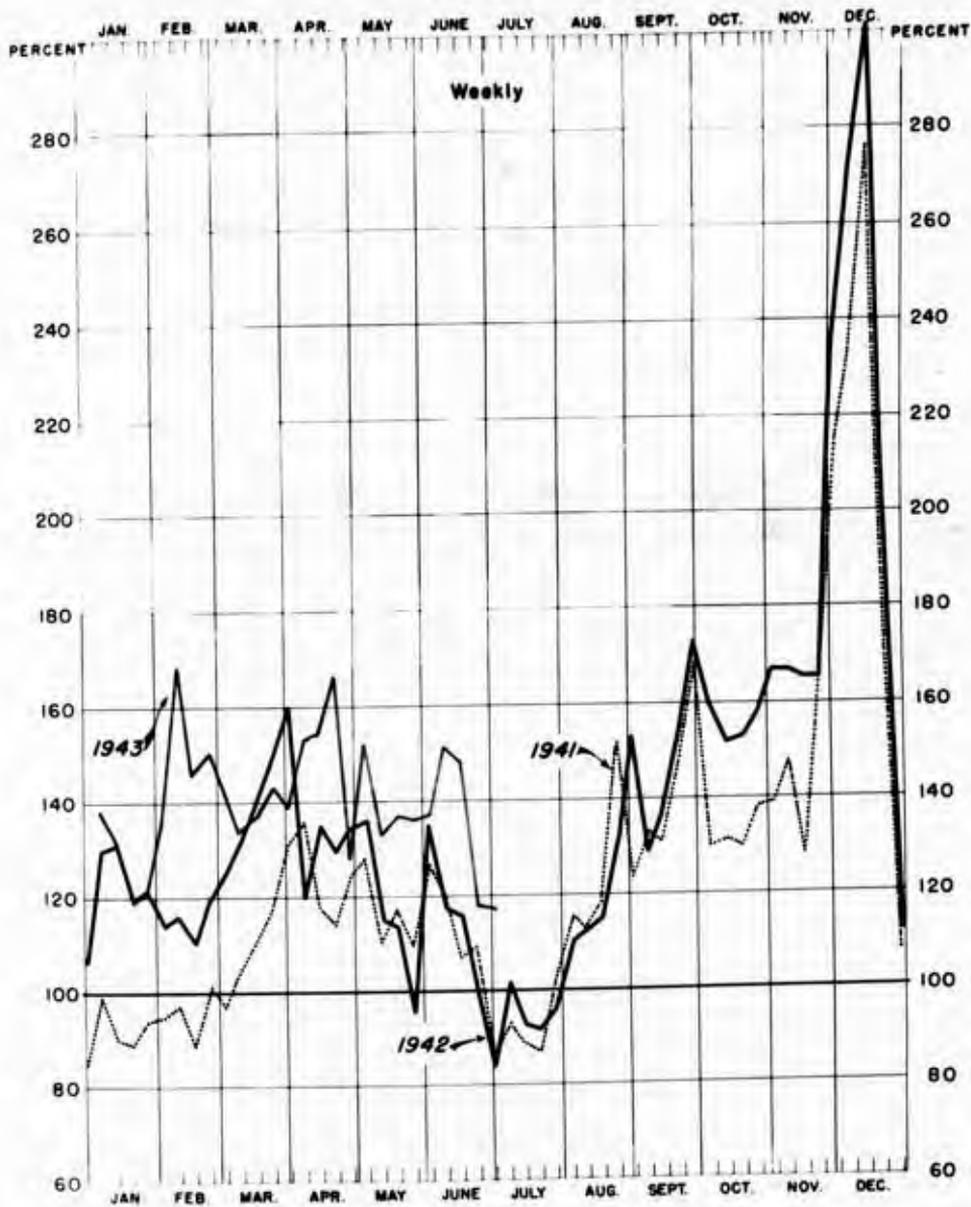


Chart 4

## DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE July 12, 1943

TO Secretary Morgenthau  
FROM Mr. White

*HPW*

Mr. Alex Royce, Economic Adviser to Mr. Murphy, and Chairman of the North African Economic Board, spoke to a group of Government representatives, including Treasury representatives, on July 8.

During the course of the discussion, he criticized some of the Government agencies for failing in their duties in the area, for having sent inefficient and ill-trained personnel abroad, and for sending too many men into the area. At a later point, he stated that the Treasury was the only division in the area that was under-staffed and undermanned. He indicated privately, after the meeting, that the Treasury representatives were doing a good job and that Glasser and some of the others were people who should be seriously considered for any operations that might be contemplated in the future.

SECRET

43



OFFICE OF THE DIRECTOR

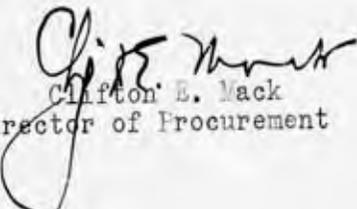
TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON

July 12, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of July 5, 1943, the purchases against the African Program from July 5, 1943, to July 11, 1943, totaled \$875,483.60 or a total of purchases for the program thus far of \$46,963,043.74.

Attached is report giving status of shipping against these purchases.

  
Clifton E. Mack  
Director of Procurement



(37861)

SHIPPING REPORT AS OF JULY 10, 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>
Asbestos sheet packing	2			
Bearings, ball, roller	1		1.38	1.21
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	
Babbitt metal	53.85			
Brick	169		23.06	
Cable insulation winding mach.		4.5		
Calcium carbide	2105	554	46.22	907.67
Cement				47
Cement, rubber	10.79		21.5	
Chemicals	3029.11	631	1206.89	178.52
Coal cutters	12			
Copper, tubing, sheets	191.03		79.88	72.07
rods, cable, and wire				
Corrugated boards	106		19.4	22
Clothing	2472.58	99.7	188	27.9
Copper sulphate	5697.7		47.5	
Cotton thread	75.65	23.6		
Cordage & twine	241.55	22.95	32	
Drugs	40.08	.33	1	
Electric motors	4.8		4.5	
Electrodes	18.41		10.78	5.5
Envelopes	13.94	2.56	12.68	
Files, steel	15	15	.4	
Fullers earth	72			
Gelatin	2	2		
Glass, window	99.6		21	135.8

**SECRET**

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
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	3.57	20.1	
Jute bags	751.19	33.55	555	
Lamps	5.18			
Light bulbs & sockets	11.68	5.5	13.2	16.8
Lithopone	10.2			
Lumnite	30			
Mach. finished book paper	2			
Matches	394.38	8	84.64	62.35
Newsprint	1529.13	14	52	100
Nipples, bottles, eye cups			9	
Oil, insulating		9.5		
Padlocks		2.5		
Paper products	689.58	114	430.09	37.67
Paper bags	95.32	190.6		
Paint pigments	28.33	34.5	12.2	1
Piece goods, textiles	11,999.22	250.5	1,488.3	3,612.95
Pig iron	65	490		121
Pig tin	64			
Powdered milk	119			
Printers ink & supplies	11.5			
Raw sugar	1545			
Refined sugar	4196.5			
Shoe tacks	19.54	9		
Spare parts for autos, tractors & harvesters	1062.76	134	426.86	393.53
Spark plugs	4.5	5		

<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>
Spiegeleisen		161		7
Storage batteries & flashlights	69.27	21.5	42.99	1068.72
Steel, pipe, bars, angles, wire	3860.50	994	3539.63	116
Shoes, boots & soling	338.06	100.25	301.68	3759.5
Sulphur commercial flour	184	2312	652.2	
Tin plate	845			356.80
Tires, tubes & tape	274.64	85	208.87	650.3
Tools	306.24	121.9	452.02	
Tooth brushes			.75	
Tea	171.75			22.46
Trucks	229.8	166	88.5	
Typewriter ribbons		.5		
Wire cloth	3.45		3.5	
Wire nails	100.5		19	7
Wire rope	88.5		17	
X-Ray film	1		18	
Brake fluid	.2		2.37	
Zinc rolled sheets				27.5
Grain drills			22.46	
Pump installations	12.85			
Welding rods	.31		14.8	
Sodium silicate glass		28		
Hardware		1.2		9
Lignumvitae planks		2		
Transformers		7		1.27
Electrical appliances				
Sprayers			2.29	
Totals	44,208.20	6,704.87	10,329.20	11,850.44



**SECRET**  
**TREASURY DEPARTMENT**

**PROCUREMENT DIVISION**

**WASHINGTON**

OFFICE OF THE DIRECTOR

July 12, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended July 10, 1943.

The Procurement Division is preparing a statement for the Office of Lend-Lease Administration based on expeditors' reports received from the field offices which will show the present status of all requisitions prior to January 1, 1943, with particular reference to undelivered balances. This information will be used for the purpose of review with the requisitioning countries to determine whether the original need exists or whether the requirements should be revised.

*[Handwritten Signature]*  
Clyton K. Mack  
Director of Procurement



(37861)

SECRET

LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF JULY 7, 1943  
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$3958.5 (3958.5)	\$1926.8 (1926.8)	\$1557.0 (1557.0)	\$103.4 (103.4)	\$10.2 (10.2)	\$361.1 (361.1)
Purchase Authoriza- tions (Requisitions)	\$2834.1 (2801.3)	\$1543.1 (1526.0)	\$1140.2 (1129.1)	\$40.5 (40.3)	- -	\$110.3 (105.9)
Requisitions Cleared for Purchase	\$2750.2 (2721.0)	\$1493.1 (1474.8)	\$1112.5 (1103.6)	\$40.0 (40.0)	- -	\$104.6 (102.6)
Obligations (Purchases)	\$2660.4 (2626.3)	\$1461.0 (1450.8)	\$1070.7 (1048.8)	\$40.0 (40.0)	\$6.6 (6.4)	\$82.1 (80.3)
Deliveries to Foreign Governments at U. S. Ports*	\$1160.3 (1148.9)	\$811.6 (806.0)	\$317.3 (311.7)	\$18.6 (18.6)	- -	\$12.8 (12.6)

\*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 30, 1943.

**BRITISH AIR COMMISSION****1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.****TELEPHONE HOBART 9000**

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission  
who enclose Weekly Statement No. 111 covering  
Aircraft Flight Delivery as at July 6, 1943.

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

July 12, 1943.

REF. NO. 8-21  
 WEEKLY REPORT NO. 111

LOCATIONS OF ORIGIN FLIGHT DELIVERY AIRCRAFT  
 (Covering Movements through July 6, 1943)

U. S.

SECRET  
 July 7, 1943

~~SECRET~~  
 MOST SECRET

(1) TYPE (A-R)	(2) NO. (A-R)	(3) NO. (A-R)	(4) VINT. (A-R)	(5) FL. NO. * (A-R)	(6) VINT. (L/L)	(7) NO. (L/L)	(8) DOST. (L/L)	(9) RAIL. (L/L)	(10) KITE, P (A-R-L/L)	(11) BRIDGE ROAD NO.5 (A-R)	(12) BRIDGE NO.5 (A-R)	(13) BRIDGE NO.5 (A-R)	(14) BRIDGE NO.5 (L/L)	TOTAL	
UNITED KINGDOM	20	96	432	140	200	9	371	272	1	64	182	135	4	30	1,998
INDIA EAST		5					95						48	31	279
SOUTH AFRICA				127											127
BRITAIN							91								91
AUSTRALIA					27										27
SINGAPORE					9										9
INDIA														3	3
OTW'S IN CANADA			45	42		13	165								265
DCAP					28			1			16				45
HAWAII											18	51			69
FERRY SERVICE		7									6				13
Aboard				2		1			459				1	97	560
In route Overseas				3		6		1	43		2	1	1	20	77
Canada, Greece, etc.				1				1			1	2			5
Hawaii or Bermuda (on route)				4										9	44
Special duties		4	1	15	4		29		2						45
Neutral				3	1	2	22	9	5		5	8	1	3	59
CRASHED AFTER REPORT			18	20	9		38	15	18		3	2	8		131
In route export									1					2	3
At installation center					40							1		4	45
At modification center						17					50	30			105
In route modification center						11									11
Special duty in U. S.		1							2						3
Under repair		1	2				1						1		5
At starting point (Los Roach, etc)							1							1	4
CRASHED IN U. S.		1	2	5		1	25	1	12		2	2	7		58
DIRTIED TO U. S.		50	20	281											351
<b>TOTAL</b>	<b>20</b>	<b>165</b>	<b>530</b>	<b>661</b>	<b>420</b>	<b>60</b>	<b>828</b>	<b>200</b>	<b>576</b>	<b>64</b>	<b>293</b>	<b>232</b>	<b>72</b>	<b>200</b>	<b>312</b>

\* Including one transferred to U. S. after delivery to U. K., which has been shown as diverted to U.S.  
 \*\* In Canada, Bermuda, or Hawaii.

PLANNING AND AIRFRAME SUPPLY  
 BRITISH AIR COMMISSION  
 WASHINGTON, D. C.

Regraded Unclassified

**BRITISH AIR COMMISSION**1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission  
who enclose Statements Nos. 92 and 93 -- Aircraft  
Despatched -- for weeks ended June 29 and July 6  
respectively.

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

7  
July 12, 1943.

AIRCRAFT DESPATCHED FROM THE UNITED STATES  
WEEK ENDED JUNE 29th, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator III	India	India		2	
Catalina IV	U.K.	U.K.		1	
<u>CURTIS</u>					
Kittyhawk	S. Africa	Capetown	21		
Kittyhawk	New Zealand	Wellington	5		
Kittyhawk	Australia	Sydney	50		
Kittyhawk	M.E.	Port Sudan	15		
<u>DOUGLAS</u>					
Dakota III	U.K.	U.K.		3	
Dakota III	India	India		6	
Dakota III	S. Africa	S. Africa		1	
Dakota III	M.E.	M.E.		5	
<u>LOCKHEED</u>					
Hudson IIIA	U.K.	U.K.		2	
<u>GLENN MARTIN</u>					
Baltimore IV	M.E.	M.E.		4	
<u>GRUMMAN</u>					
Hellcat	U.K.	U.K.	9		
<u>NORTH AMERICAN</u>					
Mitchell II(B25C)	U.K.	U.K.		2	
Mitchell II(B25D)	Bahamas	Nassau		1	
Mitchell II(	U.K.	U.K.		1	
Mustang	U.K.	U.K.	18		
Harvard	S. Africa	Capetown	11		
Harvard	M.E.	Port Sudan	6		
Harvard	S. Rhodesia	S. Rhodesia	8		
<u>VULTEE</u>					
Vengeance	India	Karachi	18		
Vengeance	India	Bombay	6		
Vengeance	Australia	Melbourne	6		
<u>VEGA</u>					
Ventura GR V	S. Africa	S. Africa		1	
British Air Commission, Movements Division, July 3, 1943.			TOTAL:	173	29

MOST SECRET

STATEMENT NO. 93

Aircraft Despatched from the United States

Week Ended July 6th, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator GR V	W'Africa	W'Africa		4	
Catalina 1B	U.K.	U.K.		1	
<u>CURTISS</u>					
Kittyhawk	S'Africa	Capetown	10		
Kittyhawk	New Zealand	Auckland	18		
Seanew	U.K.	U.K.	5		
<u>DOUGLAS</u>					
Boston III A	U.K.	U.K.		1	
Dakota III	M.E.	M.E.		8	
Dakota III	India	India		4	
Dakota III	U.K.	U.K.		1	
<u>FAIRCHILD</u>					
Fairchild PT 26	Algiers	Algiers	10		
<u>LOCKHEED</u>					
Ventura	New Zealand	Auckland	2		
Hudson III A	U.K.	U.K.		1	
<u>GLENN MARTIN</u>					
Baltimore III A	M.E.	M.E.		1	
Baltimore IV	M.E.	M.E.		7	
<u>NORTH AMERICAN</u>					
Harvard	S'Africa	Capetown	13		
Harvard	New Zealand	Auckland	8		
Harvard	India	Bombay	1		
Mitchell II(B25C)	U.K.	U.K.		1	
B 25 G	U.K.	U.K.		2	
<u>VEGA</u>					
Ventura GR V	Canada	Canada			1
Ventura GR V	S'Africa	S'Africa		3	
Ventura GR V	M.E.	M.E.		1	
Ventura	Canada	Canada			1
Ventura	S'Africa	S'Africa		1	
<u>VULTURE</u>					
Vengeance	India	Karachi	6		
Vengeance	Australia	Melbourne	18		
<u>STINSON</u>					
Stinson	U.K.	U.K.	11		
			<u>TOTAL</u>	<u>102</u>	<u>36</u>
					<u>2</u>

British Air Commission,  
Movements Division.  
July 10, 1943.



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

54 ✓  
*F. Morrison*

AMERICAN EMBASSY  
London, July 12, 1943.

AIR POUCH

No. 60

Dear Mr. Secretary:

This is in belated reply to your telegram 3722 concerning "the significance and background of the defeat of Herbert Morrison as Treasurer of the British Labor Party".

It is my belief and that of other observers here that Morrison's defeat is not of itself particularly significant or portentous. In the first place the vote was close when one considers the effect of "block-voting". Ernest Bevin appears to have taken a meticulously neutral attitude toward the candidates in that he did not openly try to influence the vote of his Transport and General Workers' Union delegation in either direction. It is reported that the pre-election caucus of this delegation decided for Greenwood by a majority of only one vote. Had this one vote gone the other way, Morrison would have won.

From the enthusiastic reception given Morrison at the Conference, both before and after the election, there is every reason to believe that he retains the admiration and high regard of the labor movement generally. It is not believed that Morrison's defeat necessarily means the defeat of the general post-war program he has been preaching. It is true that as Treasurer he would have been in a position to help finance the election to the Party Executive of persons who agree with him, but this influence is not decisive and in any event would take a considerable period of time to produce any effects. At the same time, were other circumstances favorable, there is no reason to suppose that Greenwood, at one time in charge of post-war planning and believed to be in agreement with many of Morrison's ideas, would not exercise his power to influence elections with the same general objectives in mind. In short, the Party might have accepted Morrison's

program

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

- 2 -

program while rejecting him for office and it might have elected him to office while rejecting his program. As it happens, the Party "rejected", or at least failed to sanction, both the man (by a narrow margin) and much of his program.

Morrison himself has said, and observers have agreed with him, that his removal from the Party Executive will not lessen his influence within the Cabinet but that, on the contrary, he might even feel more free to exercise pressure when not a responsible, mandated Party official.

Specifically, here are some of the reasons commonly given for Morrison's defeat. All probably carried some weight with one section or another of the delegates but it would be impossible to evaluate them.

1. Greenwood's immense personal popularity. He has long, devotedly and for the most part ably, worked for the interests of the Party and the labor movement generally and is personally known and liked by an unusually wide circle of individual rank and file members.

2. There is a feeling that Greenwood was badly treated when removed from the Government and that he deserved the Party office as a consolation and as a sign of the continued loyalty of his followers.

3. Many give Greenwood the credit for instigating (when he was Minister without Portfolio in charge of post-war planning) the Beveridge investigation and Report. Morrison, on the other hand, was later put in the awkward position in the House Debate of having to defend the Government's cautious and non-committal attitude on the Beveridge Report.

4. It is stated that Morrison's program and his many forthright speeches are largely his own work and that he has not sufficiently consulted the trade union elements in the Party concerning them. This is said to have caused resentment and the feeling that Morrison is moved by personal ambition rather than a desire to carry out the wishes of the rank and file.

5. Morrison's background and support lie principally in the local Party groups rather than in the trade unions and it is a fact that the Party or political movement today is dominated by the trade unions.

A

- 3 -

A considerable number of individuals and publications with "left" tendencies profess to see in Morrison's defeat the doom of the Labor Party. It may be a symptom but in view of the closeness of the vote and of the various conflicting and politically irrelevant factors noted above, I do not consider the election per se as a major symptom. That the recent Conference was a rather hollow affair and that the prospective position of the Labor Party in the post-war period is extremely precarious, I fully agree. But in my view the situation would not be much different if Morrison had been elected.

The "highlights" of the Conference were the rejection of Communist affiliation and the continuance of the electoral truce - both, as Morrison himself said - negative acts. Almost nothing was done by way of hammering out a concrete positive program. In any event continuance of the truce prevents the Party from taking steps now to implement any such program, although many commentators, including Morrison, are urging the importance of a concrete implemented program before the end of hostilities. It seems to me that the Tory majority in the Government remains in a position to delay action on social legislation at present on the grounds that the war must be won first and then, when the time is ripe and open opposition can be tolerated, to hold a general election in the atmosphere of post-war hysteria in which they can count on Churchill's immense prestige and yet can still use the argument that "things are uncertain and we must wait yet awhile".

The Labor Conference did manage to extract a promise from Atlee that another Conference will be held after Germany is defeated or "when there is any question of a General Election". The wording does not make clear who will raise the "question of a General Election" but one infers both from the wording and from the nature of the situation that the Tory majority will raise it. Any attempt on the part of Labor to precipitate a General Election would meet resistance on the same grounds as the recent motion to abandon the electoral truce - "Its not the time yet". This means that the time will be chosen by the Conservatives and will naturally be made to occur under circumstances as favorable as possible to themselves.

In short the essence of the Conference which was "Remain loyal to the coalition for the duration but be ready to go to the people and into the opposition as soon as the emergency is passed", strikes me as very unrealistic.

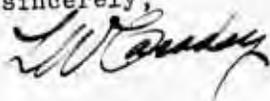
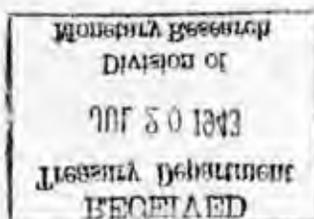
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- 4 -

I believe that in refusing to formulate a specific program now and in refusing to take it to the people now in the by-elections, means that the Party will one day be confronted with "the question of a General Election" without a known program and policy and at a time and under circumstances heavily weighted against it.

Incidentally a thought has frequently recurred to me in recent days concerning the much-admired political unity of the British in comparison with the political difficulties our own Administration is experiencing. (Much has been said on this in the British Press in the past week or two). The thought is this: I wonder if the British Tories would behave as nicely as has British Labor if the position of the two parties in the Coalition were reversed? (which is roughly the situation at home) Of course the political machinery in Britain is not comparable with that in the U.S. but I have the feeling that if, say, Morrison or Cripps had been Prime Minister for the past several years with a bare Labor majority in the House and a large minority Conservative "opposition" the Coalition and the Electoral Truce would not stand (and would not have been created in the first place) and that, consequently, the political scene here would be just about as difficult as it seems to be now in the United States.

Yours sincerely,

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING  
TO : Secretary of State  
DATE: July 12, 1943, 2 p.m.  
NO. : 1158.

CONFIDENTIAL

Conditions at Hong Kong were described in a letter written to an American firm by a Chinese employee who on November 14 escaped. This letter was given to a consul in Kweilin on July 9 and July 9 was delivered to a representative of the firm at Chungking. These conditions are reported as follows:

1. Four Hong Kong dollars was the exchange value given to military yen in July 1942. CX dollars 3 was the value of the Hong Kong dollar in May of this year. The American dollar at the same time was worth, at the black market rate, about three military yen.
2. A three-fold increase was seen in commodity prices last year and they are still rising. Rationed rice in May of this year sold for 30 sen per catty but the price was approximately yen 1.90 in the black market.
3. It is indicated on every side that the Japanese find getting commodities into Hong Kong increasingly difficult. Open admission of this fact in the newspapers was made by the administration. The use of coal and electricity, in April of this year were restricted.
4. The purchase of houses is being made by many Japanese who assume Chinese names for the purpose.
5. Taxes are recollected as from 1943 on luxuries. Establishments whose income in a year is more than 5,000 military yen are subject to the same requirement. A tendency toward inflation, while not yet marked, is visible.
6. It was stated by the author that operation of the Japanese civil administration is smooth and efficient and that a lot of Chinese people in Hong Kong are prevented from going to free China because of inflationary prices and, due to the impossibility of finding work, fear of starvation.

ATCHESON

Copy:bj:7-28-43

59  
OFFICE  
SECRETARY OF TREASURY

1943 JUL 13 AM 11 32

TREASURY DEPARTMENT

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET  
U.S. SECRET

OPTEL NO. 225

Information received up to 7 a.m., 12th July, 1943.

1. AIR OPERATIONS

SOUTH WEST ITALY. 10th. Liberators dropped 56 tons at VUBQ VALENTIA Airfield.

SICILY. 9th/10th. About 70 tons were dropped at SYRACUSE, CATANIA, NOTO and other objectives.

10th. Spitfires flew 861 sorties over objectives in the landing area. 59 other Spitfires escorted bombing raids. Mitchells dropped total of 137 tons at SCIACCA and TRAPANI. MILO Airfields and at PALAZZOLO. 78 Fortresses bombed GERBINI Landing Ground. Casualties: Enemy - 10, 3, 10. Allied - 12 missing.

CRETE. 9th. Liberators dropped 56 tons at MALEME Airfield. Enemy casualties: 5, 1, 5. 1 Liberator missing.

LATE NEWS

A 20,000 ton transport and a 16,800 ton transport, each carrying about 300 (Z) troops in an escorted Southbound convoy were set on fire by Focke Wulf Aircraft off CAPE FINISTERRE last night and sunk. 1,815 survivors so far rescued.

July 13, 1943  
9:15 a.m.

GROUP

Present: Mr. Bell  
Mr. Sullivan  
Mr. Thompson  
Mr. White  
Mr. Smith  
Mr. Haas  
Mr. O'Connell  
Captain Kades  
Miss Chauncey  
Mrs. McHugh

H.M.JR: Well Norman, McNamara - what about him?

MR. THOMPSON: He is due in this morning. He hasn't arrived yet.

H.M.JR: Good. I liked his looks. He was very suspicious, I think, that we were trying to move him out of the Bureau for political reasons, but I assured him that we only--

(Mr. White entered the conference.)

MR. SULLIVAN: Political reasons?

H.M.JR: Yes. Do you know McNamara?

MR. SULLIVAN: Yes, I do.

H.M.JR: What do you think of him?

MR. SULLIVAN: I think he is so good I hate to see him leave my shop.

H.M.JR: I told McNamara I would take the man wherever I found him.

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MR. SULLIVAN: I understand that.

Are you going to call Guy?

H.M.JR: He is going to see Thompson. He has got to see - it will take him a day or two. When I make up my mind I will call Guy.

MR. SULLIVAN: That is what I meant.

H.M.JR: I won't call him; I will send him a telegram.

(Mr. Bell entered the conference.)

H.M.JR: I am going to take anybody wherever I find him to help me put over the war bonds.

MR. SULLIVAN: There are different ways of doing it. I would like to see you afterwards.

H.M.JR: Wherever I can find anybody to help us straighten out this organization I am going to do it.

MR. THOMPSON: He is getting sixty-five hundred down there.

H.M.JR: If I want Bill Heffelfinger, I will take Bill and Bell will smile. (Laughter)

MR. BELL: Over my dead body. (Laughter)

MR. SULLIVAN: You see, now, there is the difference. I am willing to let you have him, but I want to prevent something else that I think can be prevented with a telephone call.

H.M.JR: Well, I see Dan feels perky this morning. (Laughter)

Anyway, I think the thing to do is to get him and Ted Gamble together.

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MR. THOMPSON: That is what I thought. I have a tentative organization chart drawn up for the organization which is quite good.

H.M.JR: Could I see that right after this meeting?

MR. THOMPSON: Yes. I was going to take that up with Ted.

H.M.JR: Ted isn't here again this morning.

MR. THOMPSON: I understand he got in at eight this morning.

MR. BELL: His train didn't get in until eight-thirty, something like that.

H.M.JR: Anyway, I would like to see that.

Mr. Bell?

MR. BELL: We are starting this morning to print that occupational currency. While I was in Boston I called up Forbes Lithographing Company to help us out in case we got in a jam. They said they would turn over their whole plant to us if necessary, so we are all set to go. We have about a hundred and - a little over a hundred million dollars of yellow-seal currency in Africa, and a hundred million in reserve.

H.M.JR: I think if I could get - we have an eleven o'clock meeting with the Open Market Committee, don't we?

MR. BELL: Yes, sir.

H.M.JR: Could I get together with you and George and George's brain trust around ten-thirty?

MR. BELL: Yes, sir.

H.M.JR: You can pour it into me.

John?

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MR. SULLIVAN: The associate director of the National War Fund was in last week and wanted to know whether it would be proper for Winthrop Aldrich to invite me to become sort of a special advisor to that board.

H.M.JR: I thought - on the Chase Bank? (Laughter)

MR. SULLIVAN: No, no. This is the national campaign. I think it was very nice, but I am afraid it would become involved in the problems of the--

H.M.JR: If you have any good ideas, give them to War Finance. We can use them.

MR. SULLIVAN: All right. Yesterday evening the forms for the September 15 income tax returns went to press. I went over it with Mr. Mooney and Mr. Suman. I have a copy here if you would like to make out your own. It is far from satisfactory, but I am convinced it is the best that can be done to comply with the law.

I got out my old return and assumed that my income this year would be the same as last; and with Mooney and Suman and myself I succeeded in completing mine in just an hour and thirty minutes flat.

H.M.JR: What does a fellow like me, who is just a man on the street-- (Laughter)

MR. SULLIVAN: I know what you are going to do, and I am not worried about you at all.

H.M.JR: I was asking Mrs. McHugh this morning - she said, "Ask Sullivan; he can tell you in two seconds." (Laughter)

MR. SULLIVAN: Well--

H.M.JR: Didn't I talk to you about that this morning?

MRS. McHUGH: Certainly, that part is right. (Laughter)

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MR. SULLIVAN: Anyway, here is a copy if you are interested.

(Income tax form handed to the Secretary by Mr. Sullivan.)

H.M.JR: Whose fault is this?

MR. BELL: I thought it would be just six lines.

MR. SULLIVAN: Six lines is what you file, but the fifty-five computations you have to make to get the answers you put on the lines are in here (indicating papers).

MR. BELL: Why are you worried about the computations until March?

MR. SULLIVAN: Because you have to file this estimated declaration September 15.

H.M.JR: Now look, John, I wish that you - the minute you and Fred Smith are both free this morning - and not later than ten o'clock - I wish you would get together on this thing and see what we can do with the public, because, after all, through the Treasury representatives we have to meet the public, the Congress doesn't. And you are telling me, then dumping this on my desk - telling me it is Congress doesn't convince John Doe or anybody else.

MR. SULLIVAN: No, no, we are going to get the blame for this. I have known that all spring.

H.M.JR: I would like you and Fred Smith to get in a huddle on this. I am sorry Gaston isn't here, but I want everybody else - I don't think it is necessary to put it in writing, but Fred Smith's job is the relation between the Treasury and the public over-all, not just war bonds.

MR. THOMPSON: That is what I understand.

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H.M.JR: Besides his job of trying to keep me happy - I mean, he is working for me, but, after all, my job is to try to keep the Treasury and the public happy, and he advises me on that.

Now, any of these things that come in - and then speeches - from now on I want to go both to Gaston and to Smith. Will you take care of that, please?

MR. THOMPSON: Yes, sir.

H.M.JR: So that somebody doesn't go off, "Well, I made a speech; the public is supposed to understand it." But you had better put the old bean on this, Fred. It doesn't help us one darned bit to sit back and simply say, "This is Congress."

MR. SULLIVAN: Well now, Mr. Secretary, I wasn't suggesting to say that, because there isn't anything we can do about it.

MR. SMITH: The OWI has asked to do something on that. We may drag them in and see if they can give us any help through OCD and that bunch.

H.M.JR: If you don't mind, I don't want to take that defeatist attitude. I mean, we have got it; now let's see what we can do about it. See, John?

MR. SULLIVAN: I agree with you, and I have in mind a plan of publicity just as we had in March for this very thing.

H.M.JR: But the difference is this: No Bureau or anybody in the Treasury is going to go off by themselves now - good as the job was before - I mean, it has got to be--

MR. SULLIVAN: I think it should be.

H.M.JR: Fine. That is the way I want it. That is Smith's job. Whether Harry White has got--

MR. WHITE: I think we might also take him in on this TFR-500. We have had some trouble up to now. I think we have made it satisfactorily, but I think in the light of what you say--

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H.M.JR: I mean, take your job, for instance, on this question of stabilization, world bank. I mean, I have got to know about it; and if I have to know about it, I want Smith to know more about it. See? And if he gets too much, he can get a partner to help him. But it is my responsibility that we meet the public, and I want him to have plenty of time - not rush him - so he can think about it. And it will be helpful to everybody, because he has been helpful to me.

MR. SULLIVAN: I have a copy of that advertisement, including Justice Stone's picture. He was at Isle au Haut, and there is no telephone connection there. He will be on his way to Sugar Hill, and will be there this afternoon, and I will call him there. (Copy of advertisement handed to the Secretary.)

H.M.JR: Do you mind if I just say something? I appreciate what you have done - I want to use you as an illustration. May I?

MR. SULLIVAN: Certainly.

H.M.JR: Without your taking offense?

MR. SULLIVAN: Not a bit; go ahead.

H.M.JR: Well, I ought not to be bothered with this kind of stuff, see, John. I told them, Smith and Louis - Jack Louis - I told them what I wanted. I told those boys, you see. I mean, just for the future--

MR. SULLIVAN: To go ahead with what?

H.M.JR: I told them to handle it.

MR. SULLIVAN: Yes, but - excuse me, Mr. Secretary - the reason I called you was because the Chief Justice wrote you a letter. There was no talk, no permission by him for the use of a picture.

H.M.JR: Yes, John, again, granted, but you could have said to these boys, "Now wait a minute, I will get his permission," and not bothered me, see?

MR. SULLIVAN: Yes.

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H.M.JR: That is the point, why should I be bothered with it. Simply say, "Boys, I have to get his permission." Then get it. Do you mind?

MR. SULLIVAN: Not a bit.

H.M.JR: I mean, using you. I think this is very nice. I am very much pleased with it. I think it is wonderful to have gotten the Chief Justice. I never would have had the temerity to go after him myself. I think this is swell; I am very much pleased.

What else?

MR. SULLIVAN: That is all.

H.M.JR: Harry?

MR. WHITE: We have this letter from McCarran on silver. Berle called me yesterday to say that Senator Thomas - not Elmer Thomas, but the other Thomas of Utah, who wasn't there - called him with respect to the silver, saying he was quite disturbed.

H.M.JR: Start over again, will you, please?

MR. WHITE: We have this letter from Senator Elmer Thomas enclosing a letter from McCarran in which McCarran recedes from the position which he took at the Committee where he wasn't enthusiastic, but he certainly didn't oppose it. And here he strongly opposes it and goes on the record.

Senator Thomas of Utah called Berle to say that he was disturbed about this hundred million ounces to India. Apparently Senator McCarran got to Senator Thomas of Utah. That is my guess. Now, Senator Thomas of Utah is a very reasonable person, and I am quite - I am almost positive that if it were explained to him - not by McCarran, but by ourselves - that he also would go along. And in view of the fact that McCarran is making this, I suggest that I get in touch with Senator Thomas of Utah, at Berle's suggestion.

H.M.JR: Sold.

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MR. WHITE: Sir Harry Kisch, Economic Advisor to India, is coming here about the silver matter. In the light of McCarran's opposition, I have this suggestion that we might talk to him and that would give us additional protection. Suppose we get an understanding from India that they will not sell this silver below a certain price. Now, we can decide on the price--

H.M.JR: Is he an Indian - this man Kisch?

MR. WHITE: He is Economic Advisor to India - British.

If we could get that we could either make it seventy-one cents or even a dollar. That would give us complete protection against McCarran and the other claims.

Is that satisfactory?

H.M.JR: Yes. There is a call in from Halifax.

MR. WHITE: What is that?

H.M.JR: Halifax is trying to call me.

MR. WHITE: Do you intend to postpone letting Halifax know about this in view of McCarran's opposition?

H.M.JR: No, I thought about it last night, Harry, and when I get ready to do it, this, if I am right, is something to keep the Indians happy and as such it is very important for the war effort. And I want to write a letter to Senator Thomas of Oklahoma and say that with India in such a strategic and critical position, I consider it very important at this time to make the loan as a war measure, and I am going to do it in the light of the fact that when I appeared nobody at that time raised any objection.

MR. WHITE: We will draft a letter for you.

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H.M.JR: This is either bad or good for the war. I think it is good and therefore I am going to do it, and if they don't like it, to hell with them. We will put it strictly as a military measure. I brought it all up at Cabinet. I played safe.

MR. WHITE: Everybody was with you except McCarran and even he didn't--

H.M.JR: If it is good for the war, I am willing to take the criticism from McCarran or anybody else.

What else?

MR. WHITE: That is all.

H.M.JR: Haas?

MR. HAAS: I have nothing.

H.M.JR: How can they just roll back cabbage and lettuce fifty and twenty-five percent? If they can do it for cabbage and lettuce, why can't they do it for anything else, which gets back to the original thing I told you when you (Kades) first came in here. If they can simply get out an edict that cabbage and lettuce goes back twenty-five and fifty percent, why can't they roll back anything?

MR. KADES: In cabbage and lettuce they feel the farmers are making exorbitant profits at the present time and that all along the line the profits are far in excess of any other foods, such as meat, butter, and coffee. Consequently, even if they roll those back there is still a substantial profit left to everybody all along the line.

H.M.JR: You are begging the question. I asked you how can they do it. I mean, if they can do it for that, why can't they do it for anything? Is it a difference between the controlled and uncontrolled prices?

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MR. HAAS: I think this isn't a rollback, specifically. It is a change in ceiling.

CAPT. KADES: But it amounts to a rollback, but it doesn't squeeze anybody, and that is why they can do it without a subsidy.

MR. BELL: They have a big margin of profit.

MR. SULLIVAN: I think the Secretary is inquiring about authority. If they have authority to do it in one case, why not in another?

CAPT. KADES: There is plenty of legal authority to do it in everything. I thought you meant how could they do it without a subsidy.

H.M.JR: John pointed the thing up. If they can do it for cabbage and lettuce, why can't they do it - well, let's take the difficult one, beef.

CAPT KADES: They can, legally, but when they roll back beef, in view of the fact that there is a very narrow margin of profit, they squeeze the man in the middle, the processor, wholesaler, or retailer, who has bought his beef at the higher price. When the price is rolled back he must sell at a loss. When the price of cabbage is rolled back, he doesn't have to.

H.M.JR: Supposing you said - let's say, for argument's sake, from the time beef leaves the hoof until it goes to your stomach, let's say it takes a month - I don't know. All right, then if your argument is they are worried about the fellow, why can't they say, "Effective August 13, the price of beef will be five cents a pound less" - giving everybody a chance to clear their shelves?

CAPT. KADES: They can, Mr. Secretary, but the result of that is that in that intervening period no one buys anything, and there is a shortage created. That was one of the reasons why beef is short now.

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H.M. JR: Who, when you say nobody buys--

CAPT. KADES: The wholesaler doesn't buy, and the processor doesn't buy, because he wants to keep his shelves bare until after the new ceiling takes effect.

MR. WHITE: Isn't it possible to take care of that the way we do with silver - to let him sell the beef that he has bought up to a certain day to allow for the lag which takes place in the distribution process - give him the benefit of the doubt - so that any meat which he has bought at the higher price, up to a certain date he is permitted to sell at a higher price?

The only one who would hold back - and he certainly wouldn't because he will say, "Next month I can get beef cheaper," that isn't going to make him buy less beef today. So if that is the reason, you could take care of it.

We have that same problem in silver - did have it.

CAPT. KADES: I don't know how you handle silver, but if you do that, the result is - if you say, for example, "I can sell beef at the old price up to the first of August," I clear out my shelves between now and the first of August, but I am not going to take on new beef at a higher price until after the first of August when the price is reduced.

H.M. JR: If you don't mind, I don't think your argument is all good because first you said you can't do it because the fellow has a lot of beef on his shelf. Well, the thing to find out is how long does it take him to clear it, and if it takes him one or two or three weeks, you give him the normal time - and supposing there are three or four days they have no beef? I mean, I just - it seems to me, sitting here, the perspective not being so close, and from watching what is going on in New York where there is a wholesale butcher selling to retail and doing a land-office business. He is handling fifteen thousand pounds a day from a Washington market, just doing a little Connecticut butchering, and he is doing a beautiful business.

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I mean, it looks to me as though they are too much worried about the middleman's profit. I didn't know - this is the first time I had heard, and I questioned you - I am bold - I questioned whether they have the legal authority, unless you are positive, to put - just automatically put a ceiling on anything. Are you sure of your facts?

CAPT. KADES: Mr. Secretary, they can put a ceiling on anything that has reached parity.

H.M.JR: Oh, well, that is different. That is different.

MR. HAAS: On retail, even if it hasn't, can't they?

MR. O'CONNELL: They may fix the retail price to reflect itself back so as not permit the farmer to get parity. That is the limitation on farm prices.

CAPT. KADES: Wheat is within a few cents of parity, and cotton hasn't reached parity, but almost everything else is above parity.

MR. WHITE: Would it be parity if you rolled it back and if the lower price was passed on to the producer - you could still roll it back?

CAPT. KADES: That is right. You are using rollback in two senses.

MR. WHITE: I mean, could you reduce the ceiling?

CAPT. KADES: Yes, so long as the reduced ceiling reflects parity to the producer.

MR. WHITE: And it still could with beef? How much leeway do you have, generally - large amounts?

CAPT. KADES: Hogs are more than double parity.

(The Secretary held a telephone conversation with Lord Halifax.)