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*See also Book 552, page 212 - 8/17/43
July 24, 1943
12:08 p.m.

HM Jr: Could you tell me about the financing?

D.W. Bell: Yes. We had cash subscriptions up to last night of five billion four.

HM Jr: I see.

B: And there will be some more stragglers in the mail today, but that hadn't ought to increase over—well, maybe a hundred, maybe a hundred and fifty.

HM Jr: Well, that's very nice.

B: Very good. Exchanges, one billion two forty-three.

HM Jr: That's not so good, is it?

B: Well, yes, that's all right. There are still three hundred sixty million out, but we have got a mail. You see they were closed at midnight so that we have got a mail.

HM Jr: Oh, yes.

B: I think you will get the most of them.

HM Jr: Right.

B: All right.

HM Jr: Now, look—hello?

B: Yes.

HM Jr: Before I talk to this gang, I have one thing down here. I wonder if somebody who was in the Treasury in the Tax Department—of our Tax Department—when Vinson was a member of Congress—you see? I mean we would have to maybe get somebody who had left the Treasury—whether we could get how he voted in committee on important tax reform legislation. See?

B: Yuh-huh.

HM Jr: Now who was the last man who followed the Hill before Paul—I don't mean in the .........
B: Tommy Tarleau?

HM Jr: Yes, somebody like Tommy Tarleau or the man who proceeded him, see?

B: Yes. Yuh-huh.

HM Jr: I would like very much to get somebody to do that, you see?

B: Well, that would have to be - nobody could remember that, I shouldn't think.

HM Jr: Well, there might be some records.

B: We would probably have to look at the records.

HM Jr: Well, I lay great stress on that.

B: All right. We will see what we can do.

HM Jr: See what you can do.

B: Yes.

HM Jr: Now, what I did - is Gaston there?

B: Yes, sir - Gaston, Smith, Paul and Kades.

HM Jr: Yes, well -

B: I guess White is not in today.

HM Jr: Well, I can talk to you or talk to Gaston - I don't ....

B: Well, you want to talk about the letter?

HM Jr: Yes.

B: Well, it ought to be Gaston.

HM Jr: Herbert?

B: Yes, just a moment.
Herbert Gaston: Hello?
HM Jr: Herbert?
G: Yes.
HM Jr: Good morning.
G: Good morning.
HM Jr: Herbert, what I did was this - during the night I had an entirely fresh approach on this letter.
G: Yep.
HM Jr: And I called up Fred Smith and told him what I wanted, and he has done it, and he has given me just what I want - if I send it. It is a terrific, powerful letter, and I'd like - he just finished reading it to me over the phone, and what I would like you to do is to take a copy and live with it until I get back on Tuesday. I'm not going to do anything - it is too important - but I have got now what I want.
G: Yuh huh.
HM Jr: See?
G: Yes.
HM Jr: I mean I gave him the ideas ...... It's quite a .......
G: Well, I heard a little piece of it. I heard part of the first page. It sounds quite strong.
HM Jr: It's very powerful, but if I am going to send it that's what I want to send.
G: Yes.
HM Jr: So we can all relax and just live with the thing.
G: Yes.
HM Jr: Now I would like somebody to bring that letter up to me with a copy of the clipping.
G: Yes.
HM Jr: You see?
G: Yes - yes - yuh huh.
HM Jr: Because I want to live with it.
G: Now in the meantime I endeavored to carve out a new letter myself this morning. Fred wasn't accessible because he was talking to you, but I showed it to Randolph and made one or two verbal changes, so I have my offering.
HM Jr: Well, would you send that up, too?
G: Yes, yes.
HM Jr: Will you send that, too?
G: I will send that up, too. Well, you don't care about the directive because you won't be using the thing before Tuesday.
HM Jr: Well, if the directive is ready, let it come along.
G: All right, I will let that come along.
HM Jr: If the man gets here any time tomorrow, I don't care.
G: Any time tomorrow.
HM Jr: Yes.
G: All right. Well, I will just leave it to Wilson and Murphy to find some way to get a man up there with it to the farm sometime tomorrow.
HM Jr: And let me have what Smith has written and what you have written.
G: All right.
HM Jr: But I've got an entirely different approach.
G: Yes, yes.
HM Jr: Have you looked at it at all?

G: I heard the first few paragraphs - sounds like a good approach.

HM Jr: Well, it's ......

G: But I think we need to think a little bit about it.

HM Jr: Well, I do, too.

G: Yes.

HM Jr: Because it is going to make him awfully mad.

G: Yuh huh. Yuh huh. Well, everybody nods their head at that statement.

HM Jr: It's going to make him awfully mad, but I've got to make him awfully mad.

G: Yuh huh - yuh huh. Well, you have got to get beneath his skin somehow or another.

HM Jr: Well, this letter will. This letter will.

G: Yuh huh.

HM Jr: This thing, Herbert -

G: Yes.

HM Jr: This thing that is going on against me and other people couldn't go on one minute if Roosevelt put his foot down.

G: Yes, yes.

HM Jr: You see?

G: Yes. Well, my only feeling off-hand about the thing is that you are taking in a lot of territory in this new form of approach - not simply your own difficulty but the whole problem of internal organization.

HM Jr: Well, I feel it, and I mean what that letter says is Henry Morgenthau, Jr.
HM Jr: Yes.

G: That's speaking to him again on the basis that you have spoken to him very frankly about a great many affairs.

HM Jr: Yes.

G: Yes, yes. Well, I would have to look at the letter again and try to figure what the effect might be.

HM Jr: You can take it, keep it extra, extra confidential -

G: Yes.

HM Jr: And then when I am fresh Tuesday, we can talk about it because a couple of days isn't going to make any difference.

G: Yes. Well, so far as that letter is concerned you only want it in draft form - you don't need it written up for signature?

HM Jr: No, no.

G: No, all you need is drafts of both.

HM Jr: That's right.

G: All right. I'll see that that stuff gets off to you with instructions to ..... 

HM Jr: Did you have plenty of time to look at it?

G: No, nobody has had much time. Fred just started to read it to me and got down two or three paragraphs.

HM Jr: Well, any way, you live with it.

G: Yes, I'll live with it - we'll all live with it until Tuesday.
HM Jr: Has Bell looked at it?
G: What?
HM Jr: Has Bell looked at it?
G: He was here and heard the same - just as much as I heard which was two paragraphs.
HM Jr: Oh, I see.
G: Yes.
HM Jr: Well, let me just - well, there's no use trying to get your reactions on it. I can wait.
G: Yes, yes.
HM Jr: Bell could give you a primary reaction but I think maybe it would be better for us to wait until Tuesday.
HM Jr: You know he has to do one of two things on this letter - he either has to give it to me or fire me.
G: Well, that's the thing to be considered. I am inclined to agree.
HM Jr: If he gets mad enough, he can fire me.
G: Yes, yes.
HM Jr: But everything I say in there is the gospel truth.
G: Yes, yes.
HM Jr: And it's like with the State Department - nobody never has the nerve to blame Hull. Well, Vinson and Byrnes couldn't do these things one minute if Roosevelt didn't encourage them.
G: Oh, no - oh, no.
HM Jr: Yes.
G: Oh, no, we've got plenty of evidence of that.
HM Jr: I mean why not go to the fountain-head?

G: Of course, so far as the State Department is concerned, there is nothing new about it. He has run that from the start.

HM Jr: But he hasn't run me.

G: But it's different over here.

HM Jr: Yes. And I think it takes something like this to stop it.

G: Yes.

HM Jr: Well, we'll see.

G: Yes, yes.

HM Jr: I'm not excited ......

G: Yes.

HM Jr: ....but I am determined.

G: Well, that's putting the whole thought on paper.

HM Jr: All rightee, everybody.  

G: All right. There's nothing else that you wanted?

HM Jr: That's enough.

G: Yes. Well, I hope you can take it a little easier over the weekend.

HM Jr: I do, too.

G: How is Mrs. Morgenthau?

HM Jr: She is on her way up here.

G: She's on her way - well, that's fine.

HM Jr: All right.
G: Fine. All right - is that all?
HM Jr: That's all.
G: All right - goodbye.
JUL 24 1943

HONORABLE HARRY S. TRUMAN
411 WILLIAMS ST.
DENVER, 5, COLORADO

YOUE WILL BE INTERESTED TO KNOW THAT ACTING UPON THE ADVICE GIVEN ME BY YOURSELF AND SENATOR CLARK I HAVE REVIEWED THE JEFFERSON CITY PROBLEM AND HAVE DECIDED THAT WE WILL MAINTAIN A BRANCH OFFICE OF OUR NEW WAR FINANCE COMMITTEE FOR MISSOURI IN JEFFERSON CITY.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY
EXPENSES OF LOANS

JUL 24 1943

Honorable Bennett Champ Clark
UNITED States Senate
Washington, D. C.

You will be interested to know that acting upon the advice given me by yourself and Senator Truman I have reviewed the Jefferson City Problem and have decided that we will maintain a branch office of our new War Finance Committee for Missouri in Jefferson City.

Henry Morgenthau, Jr.
Secretary of the Treasury
To:    Adler, Chungking, China.

From: Secretary of the Treasury.

SECRET

1. Please inform Dr. Hwang that:

(a) Since the 1941 Stabilization Agreement under which the Secretary of the Treasury was obligated to nominate the American member of the Stabilization Board has lapsed, the Treasury is requesting you to submit your resignation to the proper Chinese authorities. (Subject to Paragraph 4)

(b) It is the intention of the Treasury to appoint you as Treasury representative in China.

2. You are hereby instructed to submit your resignation as American representative on the Stabilization Board as indicated above. The Treasury, however, wishes you to stay on in Chungking as Treasury representative.

3. Before assuming your new duties, Treasury will also probably want you to go to India for a short period to do a report on the situation there in connection with matters relating to the silver market and the proposed sale of gold, which are being discussed here at the present time.

4. If you have strong reasons why you feel that the above action would not be desirable, do not (repeat not) submit your resignation and cable Treasury immediately that your strong reasons are.

157/cls 7/24/43
Information received up to seven A.M. 24 July, 1943.

1. NAVAL

On 22/23 motor torpedo boats and motor gun boats engaged a large force of minesweepers, E-boats and R-boats off the Dutch Coast. One R-boat was set on fire and another damaged, one motor torpedo boat was damaged and sustained a few casualties. On 22/23 one of our motor torpedo boats was sunk by a near miss at Augusta. A British cruiser was torpedoed on 23 off Syracuse but is proceeding to Malta.

2. AIR OPERATIONS.

Western Front.

23 Fighters destroyed or damaged 12 locomotives and 6 barges in Belgium and Northern France. Bostons effectively attacked 2 power stations in Belgium.

SICILY and Southern Italy.

21/22. Wellingtons bombed Naples/Capodichino airfield and the railway centre at Salerno. 22nd. 71 light bombers attacked communications in North East Sicily and 24 bombed Palermo. A total of 133 escorted medium bombers bombed the railway centres at Battipaglia and Salerno. Photographs confirm the success of both attacks. Fortresses dropped 187 tons on Foggia.

SARDINIA.

22nd. During offensive sweeps 17 enemy aircraft were destroyed by our Fighters of which 2 are missing.
Following is supplementary resume of operational events covering the period 17th to 24th July, 1943.

1. NAVAL

One of H.M. Canadian Corvettes escorting an outward convoy in North Atlantic was badly damaged in collision on 21st.

MEDITERRANEAN. Allied naval forces have given gun support in all Sicilian sectors. One of H.M. Battleships bombarded CATANIA 17th. H.M. and U.S. Cruisers and Destroyers have bombarded CATANIA, EMPIEODECLE, AGHIGENTO and also COTRONE. H.M. Destroyers and an inshore squadron of H.M. Monitors and gunboats have bombarded enemy troop movements in the CATANIA sector and the MESSINA approaches. H.M. N.T.B.'s have pressed through the MESSINA STRAITS and damaged 2 E-boats. Cargoes have been discharged at EMPIEODECLE, LIGATA and GELA. A valuable store of torpedoes and boom gear in serviceable condition was captured at AUGUSTA. H.M. submarines have sunk one naval schooner, one steam tug and 15 caties and torpedoed 3500 ton escorted merchantmen. For the Sicilian operations 77,000 personnel, 11,400 vehicles and 36,000 tons of stores were embarked from Eastern Mediterranean ports in excess of the usual shipping programme and not counting the division embarked from SFAX and SOUSSE by North African Command.

SUBMARINE WARFARE. Week ending 18th - 5 ocean convoys arrived without loss. Estimated about 80 U-boats at present in ATLANTIC and INDIAN OCEANS. Little activity in MEDITERRANEAN considering nature of our operations. Number of U-boats at KIEL has steadily increased during last 6 months and is now about 40. 3 Italian submarines believed used for blockade-running and now on way to FAR EAST.

SUMMARY OF ANTI-SUBMARINE ATTACKS IN JULY REPORTED UP TO NOON 21ST.

<table>
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<th>Number of Attacks:</th>
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<tbody>
<tr>
<td>By Aircraft</td>
<td>86</td>
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<tr>
<td>By Carrier-borne Aircraft</td>
<td>4</td>
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<tr>
<td>By Warships</td>
<td>34</td>
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Sunk and probably sunk:

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<tr>
<td>By Warships</td>
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Possibly sunk:

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</thead>
<tbody>
<tr>
<td>By Warships</td>
<td>4</td>
</tr>
</tbody>
</table>

Probably damaged:

<table>
<thead>
<tr>
<th>By Aircraft</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Warships</td>
<td>3</td>
</tr>
</tbody>
</table>

Possibly damaged:

<table>
<thead>
<tr>
<th>By Aircraft</th>
<th>4</th>
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</thead>
</table>

SHIPPING CASUALTIES. From 17th - 23rd, 11 ships were reported attacked by submarines. 1 British ship was torpedoed west of BATHURST, 1 U.S., 1 Swedish ship and 1 British tanker in the B. ATLANTIC, 2 British schooners shelled and sunk S. of TRINIDAD, 2 British and 2 U.S. ships torpedoed in the INDIAN OCEAN, and 1 British ship (taken in tow) off STRACUSE. A Norwegian tanker is now known to have been sunk by a raider in the INDIAN OCEAN. In the MEDITERRANEAN, 3 British ships (one reported salvable) were sunk by aircraft in AUGUSTA Harbour and a British ship was damaged by mine, but arrived at HAIFA.

MINING/LAYING. No reports of enemy minelaying in Home Waters during period, neither by surface craft or aircraft. No E-boat minelaying now for 3 weeks and no confirmed minelaying by enemy aircraft for over 5 weeks.
TRADE. Imports in convoy into UNITED KINGDOM week ending 17th -
1,030,000 tons, including 325,000 oil.

2. MILITARY

SICILY. Sicilian coastal defences proved inadequate to resist Allied
landing in all areas. 206th and 207th Coastal Divisions, which bore initial brunt,
showed complete lack of fighting spirit. This was also evident later in 54th
Napoli and 4th Livorno Field Divisions which were to have supplied backbone of the
defence. Lack of determination in all areas where Germans not present in strength
greatly facilitated Allied task. In AFRICA, battle-experienced Italians, where
backed by Germans, fought better than when alone. It was not the case in SICILY,
where German reinforcements had little effect in improving low morale of untested Italians.
Germans originally in Western SICILY believed withdrawn after MESSINA
raid on 16th and direct naval serviceable Italian transport now est.400 taxis.
Lack and operationable German tank columns now estimated at approximately 50.
Since operations began Germans believed reinforced by parachutists in ground role and
probably by miscellaneous units. German strength now estimated 50,000 to 60,000.

BURMA. 17th/18th. Successful British patrol action 3 miles east of
HAUNGDAW. Japanese casualties 60. As a result of previous 8th, most of
Japanese have withdrawn from HAUNGDAW and destroyed the bridges to north and east.

3. AIR OPERATIONS

WESTERN FRONT. 62 night sorties on Intruder, see mining and anti-
shipping operations. 1 aircraft missing.

MEDITERRANEAN. Home based bombers dropped 26 tons on transformer
stations near MILAN and PARMA. Damage was not heavy and expected to cause only
temporary dislocation. Moral effect, however, known to have been considerable.
The heavy raid on ROMA airfields and railway marshalling yards was carried out by over
500 U.S. bombers and was outstanding success. Railway communication between North
and South Italy has certainly been interrupted, though impossible yet to estimate
how long interruption will last. 3 airfields considerably damaged, one rendered
completely unserviceable.

100 corrupt groups.

RUSIA. It is probable that the Russian advance north of ORBE and their
ground operations on the Lower DONETZ has forced the German Air Force to redistribute
their units. Russian tactics thus seem to have caused a dislocation of the German air
concentration against the KURSK Salient. This must be looked upon as a considerable
success, since under present circumstances, it is only by concentration that the
German Air Force can hope to obtain air superiority.

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

NAPLES. Photographs confirm very great damage in the industrial dis-
trict in the northeast part of the city at the marshalling yards and central station.
Scarcely any of the larger factories have escaped damage.

FOGIA. Much damage to permanent way, workshops and buildings in main
station and goods station, also to hangars, workshops and barracks at the airfield.

LECHTEN. Damage concentrated in the industrial areas to the north of
the town, notably to oil depot, chemical works, torpedo factory, cotton mill and
main railway station.

SAN POLO DI FENZA. Much damage to transformer and switching station.
Main building has suffered from large blast and one power pylon destroyed.

FIRE. All objectives damaged, but photographs show little harm to other
property and then only in areas in immediate vicinity of objective. Very heavy damage
to SAN LORENZO railway centre, also to adjacent steel plant and chemical works.
LIPITORO repair centre, much rolling stock damaged and derailed, 10 fires started,
locomotive depot badly damaged. CIAMPINO North airfield completely unserviceable,
direct hits on large hangar barracks, administrative buildings and ammunition dump.
At least 2 aircraft burning. CIAMPINO South airfield badly cratered, at least 9
aircraft destroyed, large hangar burnt, another on fire.

MONTPELLIER. Direct hits on 13 buildings on Peugeot Works, 7 of which
severely damaged. 9 buildings hit by neighbouring magnetic works.

HETLING. Rotating repair shop containing many Aero engines and 2 other
shops and drawing offices destroyed or damaged. Many component parts also involved in
wreckage.

LACHER. First impressions of severity of damage confirmed by later
photographs. Centre of city destroyed by fire, and in several streets, every house has
been burnt down. No apparent damage to Cathedral. Industrial damage heavy, especially
among manufacturers of cloth, textiles and textile machinery.

5. HOME SECURITY. Estimated civilian casualties week ending 17th -
Information received up to 7 a.m., 25th July, 1943.

1. NAVAL

24th/25th. Motor Gun Boats sank an E-boat off DUNKIRK. 4 survivors were picked up. Coastal Forces had 2 encounters with enemy convoys - one off NEUK, the other off IJMUDDEN. One motor torpedo boat was damaged. No further details available. One of H.M. Armed Merchant Cruisers (22,000 tons) was torpedoed about 480 miles west of FREESTOWN early this morning. Ship disabled but not yet in danger of sinking.

2. AIR OPERATIONS

WESTERN FRONT. 24th. 167 Fortresses dropped 370 tons on the aluminium works at HEROA near Narvik, Norway, and 41 Fortresses dropped 92 tons on TRONDHEIM with good results. Enemy casualties - 17, 4, 7. One Fortress missing.

24th/25th. 857 aircraft sent out - HAMBURG 791 including 718 heavy (12 missing); LEECHORN 33, DUISBURG, KUHL, LUBECK and BREMEN 13, sea mining 6, leaflets 7, Intruders 7. The Lancasters on LECHORN were returning from Northwest Africa after recent attacks on transformer stations at HAMBURG. Visibility was good, marker bombs accurately placed, bombing very concentrated, and extensive fires over whole objective.

ITALY. 22nd/23rd. Wellingsons torpedosed a ship off ELBA. 23rd. Allied bombers dropped 321 tons on airfields north of NAPLES, south of BRINDISI and at CORONEL. Bombers and torpedo aircraft sank a ship, left another sinking and set fire to a destroyer and an escort vessel off Southwest ITALY.

SICILY. 23rd. 48 Allied bombers attacked enemy communications north of CATANIA. Fighter bombers successfully attacked radio installations at USTICA and FAVIGNANA ISLANDS.

CRETE. 23rd. 100 fighters and 8 light bombers attacked communications, gun positions and other objectives. 13 fighters, 5 bombers missing.
THE UNDER SECRETARY OF THE NAVY
WASHINGTON

25 July 1943

My dear Mr. Secretary:

This is in reply to your letter to the Secretary dated July 15 requesting that we set up certain requisites of War Bond sales accomplishment as a qualification for the granting of the Army-Navy Production Award.

We have considered this question thoroughly and have consulted the various branches of the Department which are directly concerned with the administration of the Award.

It is the overwhelming consensus of opinion that we should not add Payroll Savings Plan sales records to the many factors which are already weighed in considering a plant for an "E" Award. The Award is essentially a recognition for outstanding war production. That is, and must remain, the paramount consideration in deciding the granting of the Award. The procedure which you suggest would open up a field of qualifications which, regardless of their importance, would not be directly related to production and, therefore, are not appropriate factors upon which to grant or withhold such an award.

You know from the Navy Department’s own record of War Bond purchases how strongly we feel concerning the importance of the War Savings program. In this particular instance, however, because of the reasons outline above, it will be impossible to follow the line which you request.

Sincerely yours,

James Forrestal

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

My dear Mr. Secretary:

Your suggestion that the successful operation of a Payroll Savings Plan be made one of the criteria for the granting of the Army-Navy Production Award has been discussed with both the Army and Navy Boards for Production Awards.

The Army-Navy Production Award is granted for outstanding achievement in war production. High quality and quantity of production in the light of available facilities are the factors in selecting awardees.

Since the inception of the Army-Navy Production Award, it has been the policy of both the Army and Navy not to introduce elements having no direct bearing on production into the standards required for the Award.

It is the opinion, in which I concur, of both the Army and Navy Boards for Production Awards that the introduction of other criteria, such as the necessity of having a successful Payroll Savings Plan, would divert the emphasis of the Award from its primary purpose.

Sincerely yours,

Robert P. Patterson  
Acting Secretary of War
Randolph Burgess: Hello, Henry.
HMJr: Hello, Randolph.
B: How are you tonight?
HMJr: Pardon?
B: How are you tonight?
HMJr: Fine.
B: Well, I think our - I think our Loan so far has been very well received.
HMJr: I think so. I'm pleased.
B: You saw the editorials in the Times and the Herald-Tribune, and George Wanders' article and so on?
HMJr: Overwhelmed!
B: I think we're all right.
HMJr: Overwhelmed!
B: Now, what I called you about was this: I want to take your name in vain and I didn't want to do it without asking you - I'm having a hell of a time to get my organization set up for the house-to-house canvas in New York City ....
HMJr: Yes, sir.
B: .... and I want to get Bruce Barton to do it, if he will, and I wanted to quote you to him as hoping he would do it. May I do that?
HMJr: I'd like to sleep on that one.
B: Would you?
HMJr: Yeah.
B: All right, sir.
HMJr: I'd like to sleep on that one. Could I call you back in the morning?
B: Yeah. You know Bruce pretty well, of course.
HMJr: Uh, not too well.
B: I see.
HMJr: You don't want the man from the Manufacturers?
B: I can't get him. I've got him on the committee ....
HMJr: Well, he's ....
B: .... Madden. He's - he's going to help all he can ....
HMJr: Yeah.
B: .... but Harvey Gibson's away and he can't give full time to it ....
HMJr: Yeah.
B: .... and I had the I. B. M. fellows - the Business Machine boys, but Tom Watson pulled them out on me for one of the fellow's family got sick and one thing and another, so they fell out.
HMJr: What are the qualifications that Bruce Barton has that makes you want him?
B: Well, in the first place, he's known - he has leadership ....
HMJr: He's what?
B: He can get people to do things.
HMJr: Yeah.
B: I think he can get people to do things.
HMJr: Uh - huh.
B: And ....
HMJr: Have you talked to him?
B: I haven't yet, no, and I wanted to sound you out a little before I talked to him, and ....
HMJr: He wouldn't be my selection for that sort of thing,
but you may be right.

Well, I think so. We could help him a lot on his mechanics, but he's got a very good organization....

That's true.

.... that - of good, practical fellows, and he's got an imagination ....

Yeah.

.... I think he knows how peoples' minds work, and we've got to appeal to these hundreds of thousands of people.

Well, I wonder how close he is to the "peep hole"?

To the "peep hole"?

Yeah.

Oh, I think he's got a damn good imagination on that.

Yeah. Well, look old man, I'll call you back before noon without fail.

All right. That's swell.

Yeah.

That's swell.

Right.

Thanks so much.

Thank you.

Right. Good-bye.
MEMORANDUM FOR THE SECRETARY’S FILES:

July 26, 1943

This morning I attended a meeting at Justice Byrnes' office in respect to State Department's letter of July 16, 1943 and your reply of July 23.

The meeting was attended by the following:

Justice Byrnes
Nelson Rockefeller
Bernhard Knollenberg (Lend-Lease)
Governor Lehman
Leo Crowley (OEW)
Wayne Coy (Budget)
Dean Acheson (with Dr. Feis)
Randolph Paul

At the beginning of the meeting Justice Byrnes read aloud the Secretary’s letter of July 23, 1943 and Lehman's letter of the same date.

The first specific point to be made about State's letter of July 16 was made by Knollenberg. He objected to the broad language in item 2, "Plans and Activities." The objection was polite with an acknowledgment that State did not mean anything wrong but that the language was extremely vague. I backed this objection with an argument that all kinds of projects were constantly being examined and that this sort of directive would require us to submit even our thoughts to the State Department.

At this point Justice Byrnes stated that he might as well give his own views at the outset. He made a statement (combining what he said at this point with some statement made later) that he thought it was a great mistake, as the Secretary had said, to try to "codify" relations of this sort; that rigid rules were impossible; that their interpretation and application might result in more disagreement than ever; and that he had better ride with the June 3 letter of the President. Later Dean Acheson brought out that this letter covered only the occupied areas but this made no impression on Byrnes. At one point Byrnes made the direct statement that since the State Department will not assume all the responsibilities, it can not have all the power.
On the basic question in the State Department's letter there followed a discussion on the subject of appointment of area directors. The point was developed that there should be consultation with members of the Policy Committee. I pointed out that the plan for coordinating the economic activities of the United States civilian agencies in liberated areas provided that area directors should not be appointed without the approval of the Policy Committee. The Justice did not explicitly pass on the question, but seemed to be of the opinion that consultation was enough. He said he did not know whether the Committee had to act unanimously. I did not press this point further because I was afraid I would stir up argument that would result in too much of a recanvass of the basic decision of the Justice.

After the Justice announced his decision, Dean Acheson went down the line with the letter of July 16, 1943. He said there was no intent to change any existing responsibilities and that the letter merely attempted to establish rules of procedure. He discussed particular items including items 3, 4, and 5. He had some amendments of these directives and also an amendment of an introductory sentence which he read to the meeting. Justice Byrnes stuck to his original decision and I thought it unwise therefore to go into some of the specific arguments I could have made, especially as to items 3, 4, and 5.

At some point earlier in the conference Mr. Crowley stated that he intended to make a P-2W survey as to activities abroad (later he said he wanted this kept confidential) with a view to determine whether the agency had over-extended itself. He expressed a desire to cooperate very closely with State. I at this point expressed the same general desire for the Treasury and when he made his decision Justice Byrnes referred specifically to Crowley's and my statements, saying that the parties were really not at a point of disagreement; that the June 3 letter had not been outstanding very long; that Crowley had not much chance to survey his situation; and that specific problems might arise which the parties should try to agree upon among themselves. If they failed to agree, he would assume jurisdiction.
Governor Lehman talked at some length about the problem introduced by the fall of Italy. He spoke of great importations made by Italy, including coal, cotton and rayon and the dislocation of industry and the unemployment that would result. He said he doubted whether our industry and those of England could supply enough of such things as coal. He made the second point that any supply to Italy should be coordinated with the larger problem of world supply. Dean Acheson replied that the State Department and the British were surveying this problem and that coordination of the world situation would be for the Policy Committee to determine. Lehman was not very well satisfied and later passed on to the further point that it was impossible to plan when you did not know what agency would take charge of certain areas. Lehman seemed to be referring to a dispute now in full flower between his agency and Lend-Lease which is supposed to be settled today on the return of Stettinius. Knollenberg told in the meeting the stand of Lend-Lease which was that State should have ultimate charge. Wayne Coy gave the philosophy of Budget which was that OFRRO should operate in areas which did not have a government (such as Italy) and that Lend-Lease should operate in places which did have a government (such as Belgium).

At one or two points throughout the meeting the suggestion was made that Budget make a general survey of all foreign activities with a view to seeing whether there was duplication and "no man's land." Nobody opposed such a survey until the end of the meeting when Wayne Coy said he thought it would be inadvisable. Wayne's point was that the existing situations would make and remake themselves and about all that could be done would be to put a "burr under the State Department."

In connection with Lehman's speech I called the attention of the meeting to a long-range effort under TFR-500s to secure information which would be of value in occupation problems. I admitted that this information would not be forthcoming quickly enough to be of use in the immediate Italian situation.

The suggestion was made by Dr. Feis that the Italian Committee should now go into urgent session. There was no disagreement on this point. While the conclusion on this point remains somewhat vague in my mind, I believe it is intended that this Committee will become very active.
AN APPRAISAL OF THE SECOND WAR LOAN

CONFIDENTIAL

FOR ADMINISTRATIVE USE ONLY

Study 68
Report No. 47

Program Surveys Division
July 26, 1945
Immediately after the Second War Loan campaign the Division of Program Surveys undertook an appraisal of the Second War Loan Drive for the Treasury so that the Third War Loan might be planned more effectively. In the study, 1,358 intensive interviews were conducted with a carefully selected cross-section of the adult population of the United States. The results of the study have been compiled in two reports: An Appraisal of the Second War Loan, Participation and Implementation, July 8, 1943; and An Appraisal of the Second War Loan, Identification and Motivation, preliminary edition, June 14 and 23, revised edition to be issued shortly. This summary comprises a condensed statement of the most important conclusions of both reports.
CONFIDENTIAL

Part I - Major Conclusions

A. BEFORE THE CAMPAIGN 72 PERCENT OF WAGE EARNERS* ALREADY OWNED BONDS

As things stood before the campaign, 72 percent of the wage earners in the United States owned one or more bonds:

Before the Campaign

- Owned one or more bonds: 72%
- Owned no bonds: 28%

Since so many people owned bonds, the potential market in April was made up chiefly of bond owners. The campaign increased by only two percent the proportion of wage earners who own bonds:

After the Campaign

- Owned one or more bonds: 74%
- Owned no bonds: 26%

- Old buyers
- New buyers
- Own no bonds

* The term "wage earner" as used throughout this report refers to all people who receive any income. It does not denote either the source of the income or the manner in which it is received.
B. TWENTY PERCENT OF ALL WAGE EARNERS
Bought Extra Bonds in April

Counting old and new buyers together, 20 percent of the wage earners bought extra bonds in April:

All Wage Earners

Did not buy extra bonds 80%

Bought extra bonds or increased rate of buying 20%

C. NEARLY EVERYBODY HEARD OF THE CAMPAIGN

About 83 percent of the adult population realized there was a special campaign to sell bonds in April:

Knew there was a campaign 83%

Did not know there was a campaign 17%

Some of the 17 percent who did not know that there was a campaign going on were reached by a part of the publicity, but did not understand that it was a special drive. Many of those who were completely untouched by the campaign were individuals with very low incomes, who, in any event, could not have bought many bonds.

D. PEOPLE GIVE TWO MAIN
EXPLANATIONS FOR NOT BUYING

How did it happen that 80 percent of the wage earners did not buy as a result of the campaign? Some of them, as we have seen, did not realize that there was a special campaign going on. Those who give an explanation for not buying either say they didn’t have the money to spare, or say they were doing their share already or both:

Of those who bought neither bonds nor stamps:

Say they didn’t have the money to spare 44%

Say they were doing their share already 16%

Didn’t know there was a special drive 21%

Mention no reason for not buying 29%
H. MANY INDIVIDUALS WITH LOW INCOME DID NOT BUY EXTRA BONDS IN APRIL

If we divide people according to their income, we find that the number of individuals who bought extra bonds during the campaign for each income group was:

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Bought Extra Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-50</td>
<td>10%</td>
</tr>
<tr>
<td>$50-100</td>
<td>20%</td>
</tr>
<tr>
<td>$100-500</td>
<td>10%</td>
</tr>
<tr>
<td>$500-1000</td>
<td>20%</td>
</tr>
<tr>
<td>$1000+</td>
<td>30%</td>
</tr>
</tbody>
</table>

All income groups combined: 20%

It might be expected, the graph shows that the more income a person had the more likely he was to buy in April. The surprising thing, is that so many individuals with high incomes did not buy. For example, 10 percent of individuals earning over $50 a year did not buy extra bonds in April.

G. SOLICITATION WAS EXTREMELY EFFECTIVE IN SELLING BONDS

Solicitation sold more bonds than any other single factor in the campaign. Nearly half of those who were solicited bought extra bonds, compared to only an eighth of those who were not solicited:

<table>
<thead>
<tr>
<th>层次</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of all people who were not solicited</td>
<td>12%</td>
</tr>
<tr>
<td>Of all people who were solicited</td>
<td>47%</td>
</tr>
</tbody>
</table>

This type of relationship is found at each income level. The cumulative effect of all the promotion and publicity was not enough by itself to sell bonds to more than a relatively small number of people. Yet it quite successfully brought many people to a point where they would buy if someone personally asked them. The major weakness of the campaign was that many of these people were never asked to buy. It was as if an army had destroyed most of the effective resistance in a region by aerial bombardment, and then never sent in the ground forces to occupy the area, thus losing the advantage which it had gained.

Investment-minded people bought extra bonds in April.

Of all the reasons for buying bonds, the only one that stood out as particularly effective in April was, "Savings are a good, safe investment." More people who had this idea in mind bought extra bonds than says the income groups.
H. ONLY ONE-FOURTH OF ALL RAGE EARNERS WERE REACHED BY SOLICITATION

Even though solicitation was the most effective single factor in selling bonds, solicitors of all types, from school children to investment bankers, reached only 25 percent of the wage earners of the country.

I. SOLICITORS CONCENTRATED ON PEOPLE WITH HIGH INCOMES

More of the people with larger incomes were asked to buy. Even so, three-fifths of the individuals earning over $55 a week were not reached by the solicitation campaign.

<table>
<thead>
<tr>
<th>Income Weekly</th>
<th>Percent Solicited</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-35</td>
<td>16%</td>
</tr>
<tr>
<td>$56-65</td>
<td>28%</td>
</tr>
<tr>
<td>Over $65</td>
<td>39%</td>
</tr>
</tbody>
</table>

Part II - Recommendations for the Third War Loan

I. Put emphasis on selling bonds to a larger number of people. In September everyone, no matter how low his income, should be specifically urged to buy at least a few stamps. This will make it difficult for anybody to avoid the pressure to buy. Many people did not buy in April because the major emphasis was upon the amount of money to be raised rather than upon wide participation.

II. Emphasise the idea of selling extra bonds during the special campaign. Most people own bonds already, and publicity which says only, "Buy bonds", is easy for them to brush off by saying that they are doing their share already.

III. Follow up the publicity barrage with personal solicitation. Publicity creates a willingness to buy, but solicitation is necessary to convert this into actual sales.

IV. Use the following types of reasons for buying bonds:

- To prevent inflation.
- To invest money safely.
- To save for some specific post-war use.
- To save for a post-war depression.
- To help a member of the family in the armed forces.
- To preserve the American way of life.
THE WHITE HOUSE
WASHINGTON

July 26, 1943

My dear Mr. Secretary:

The President on July twenty-sixth
signed a proclamation entitled "Third War Loan
Drive," as recommended in your letter of July
twenty-third.

Very sincerely yours,

M. H. McIntyre
Secretary to the President

The Honorable
The Secretary of the Treasury,
Washington, D. C.
THIRD WAR LOAN DRIVE

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Recognizing the fact that in carrying the war into enemy territory, we shall need greater amounts of money than any nation has ever asked from its citizens in all history, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do officially proclaim that on Thursday, the ninth of September, 1943, the Third War Loan shall be launched.

As Commander-in-Chief, I hereby invoke every citizen to give all possible aid and support to this Third War Loan drive, not only so that our financial goal may be reached, but to encourage and inspire those of our husbands and fathers and sons who are under fire on a dozen fronts all over the world. It is my earnest hope that every American will realize that in buying War Bonds in this Third War Loan he has an opportunity to express voluntarily and under the guidance of his conscience, the extent to which he will "back the attack."

The American people supported well the first and second War Loan drives and in fact did even more than was asked of them. Our need for money now is greater than ever, and will continue to grow until the very day that Victory is won; so we must ask far more sacrifice, far more cooperation than ever before.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the City of Washington, this twenty-sixth day of July, in the year of our Lord nineteen hundred and forty-three, and of the Independence of the United States of America the one hundred and sixty-eighth.

FRANKLIN D. ROOSEVELT

By the President:

CORDELL HULL

Secretary of State
To: Secretary Morgenthau  
From: Joseph J. O'Connell, Jr.

July 26, 1943

After several days of discussion, during which he talked at length with Captain Kades and Harry White, Mr. McConnell has decided that he would like to try to do that job you talked of with him a week or so ago.

As I get it from him, he understands that the problem upon which he is to work is, in sum: What do we do Armistice Day and from then on out? More specifically, he understands that he is to give consideration to such matters as:

(1) the termination of war contracts;

(2) the conversion of privately-owned war plants to peacetime uses;

(3) the use or disposition of Government-owned war facilities;

(4) the use or disposition of the vast amount of inventory and other surplus materials which will undoubtedly be in the Government's hands at the expiration of the war;

(5) unemployment problems incident to the change-over to peacetime pursuits; and

(6) national security in the post-war period (McConnell's raw materials project).

McConnell apparently feels that he will need a small staff of very competent people to head up the work. I have assured him that personnel in the office of the General Counsel will be available to him to do

Regraded Unclassified
whatever "leg work" he may require, and also took it upon myself to say that I was sure he could get assistance of the same sort from Research and Statistics, Tax Research, Monetary Research, and in fact any other Division in the Department. McConnell would like to move slowly on the personnel side, but I think it is pretty clear that he will ultimately ask for the appointment of three or four or possibly more men in whom he has confidence and who will assist him in his work.

I am not entirely clear as to exactly what status you had intended McConnell to have. It would seem pretty clear that in order to operate effectively, both inside the Department and out, he will have to be given some official position. Had you contemplated designating him as an Assistant to the Secretary, and if so would you wish to make any public announcement to that effect?
TO        Secretary Morgenthau
FROM      Mr. Hatt
Subject: The Business Situation,
Week ending July 24, 1943.

Summary

Cost of living: Although a 0.2 percent decline in the BLS cost-of-living index in June furnishes some encouragement to the price stabilization program, organized labor continues to demand that prices be rolled back to the September 1942 levels. The President indicated last week that a new program to stabilize prices is under consideration. Lower food costs resulting from the rollback in butter prices and seasonally lower prices for some fresh vegetables were responsible for the slight decline in the cost-of-living index, which remains 5.9 percent higher than in September 1942 and 26.6 percent above the pre-war level of June 1939.

Commodity prices: Advances in wheat, hog, and resin prices raised commodity price averages slightly last week, but the BLS index of 28 basic commodities continues to move within the relatively narrow range of the past four months. The all-commodity index registered a very slight decline in the week ended July 17 and it is now 1.1 percent below the peak reached at the end of May.

Industrial production: Due largely to the adverse effects of the coal strike, the PRB adjusted index of production declined to 201 in June from 203 in the previous month. Pig iron production during the month dropped 100,000 net tons below the level of last June, while finished steel shipments of the U. S. Steel Corporation declined to the lowest level since February 1941. Steel operations have improved markedly since the resumption of coal mining, with mills in the Pittsburgh district scheduled to operate at 100 percent of capacity during the current week.

Construction: Contract awards for construction work continue to decline, with the total for June nearly 61 percent below the corresponding month last year. By the middle of last month the number of workers employed on construction projects showed a decline of 791,000, or 40 percent, from last year's level.
Cost of living declines slightly

Although a slight decline in the BLS cost-of-living index in June lends some encouragement to the program to stabilize living costs, organized labor continues to demand that prices be rolled back to September 1942 levels. In a conference at the White House last week, labor leaders told the President "if your administrators have decided not to carry out in full the program which you proposed and which Congress permits (to stabilize prices and wages at September 15, 1942 levels), it will, of course, be impossible for organized labor to continue in its support of the wage and price stabilization program as now formulated." Shortly thereafter, the President disclosed that a new program for stabilizing prices was under consideration but no details were released.

Due to a decrease in food prices, the BLS cost-of-living index declined 0.2 percent in June, marking the first downturn in the index since November 1940. This decline contrasts sharply with the increases of 1.1 percent in April and 0.8 percent in May. The index is now 5.9 percent higher than in September 1942, and is 26.6 percent above the pre-war level of June 1939.

An 0.8 percent drop in the heavily-weighted food component in June more than offset an 0.3 percent rise in the household furnishings and miscellaneous group. (See Chart 1.) All other components of the index remained unchanged. The 10 percent rollback in butter prices was the most important factor in the decline in food prices. Potato prices also dropped sharply, and prices of some fresh vegetables were seasonally lower as new crops came onto the market and victory gardens began to produce. On the other hand, prices of eggs, apples and oranges showed seasonal increases.

The Canadian cost-of-living index (shown on Chart 2) rose somewhat in June, due largely to an upward seasonal adjustment in the ceiling price of beef. Despite a gradual rise in the cost of living since February, the Canadian index is still below the peak reached last December, just before the Government instituted a subsidy rollback in prices of milk, coffee, tea, and oranges.

The United Kingdom cost-of-living index (refer to Chart 2) continues to fluctuate around the levels of the past two years. A slight decrease was registered by the index during May, but during June it rose moderately, chiefly due to a rise in the price of new potatoes. (No figures are available since May 1 for the United Kingdom retail food index.)
Restaurant prices frozen

Prices of food and beverages sold in eating and drinking establishments in New York, New Jersey, Pennsylvania, Delaware, Maryland, and the District of Columbia were frozen by the OPA (effective today) at the levels for the seven-day period April 4 to April 10. The order makes it illegal to evade the freeze in prices by any scheme or device such as increasing cover charges, dropping items from the menu (unless prices are correspondingly reduced), reducing portions served, etc. Officials of the OPA indicated that restaurant prices were generally equitable during the base period. Moreover, steps will be taken to reduce prices in those areas and in those establishments where it is determined that the April 4-10 prices were excessive. On the other hand, provision was made to correct hardship cases. Similar action to freeze restaurant and hotel prices has been taken during the past three months in the three Pacific Coast states, in Massachusetts, New Hampshire, and Rhode Island, and in the areas of Denver, Cleveland and Detroit.

While the order should have a wholesome effect in stabilizing and in some cases reducing restaurant prices, its success will naturally depend on the effectiveness of the efforts made to enforce it. The main reliance for enforcement, according to OPA, will be placed on the public.

Commodity prices slightly higher

Commodity prices rose slightly last week, but the BLS index of 25 basic commodities continues at the levels of the past four months. (See Chart 3.) Wheat prices rose 1.0 percent, bolstered by mill buying and by the prospect that the heavy Government sales of feed wheat might exhaust the CCC’s holdings before the end of August. Smaller marketings caused a noticeable rise in hog prices, which may be starting a seasonal upturn. Rosin prices under a strong demand rose sharply for the fifth consecutive week.

In the week ending July 17 the BLS all-commodity index declined very slightly to 102.9, which is 1.1 percent below the peak reached at the end of May. The index is now at the lowest point since early March, although 37.2 percent above the pre-war level of August 1939. Seasonally lower prices for fresh fruits and vegetables, particularly potatoes, and a decline in egg prices, were largely responsible for the slight reduction in the index.
Live hog ceiling price announced

A flat ceiling price on all live hogs at $14.75 per hundredweight, Chicago basis, will be established in August, CPA and WPA announced in a joint statement last week. This ceiling is between 75 cents and $1.25 higher than current market prices, and is 25 to 50 cents above the level which former Food Administrator Davis had indicated was necessary to make the equivalent of the ceiling prices on pork. Officials of CPA believe, however, that the ceiling will assure adequate margins to packers. Although market prices may stay below the ceiling level so long as the volume of hog marketing remains heavy, they may rise toward the ceiling level during the August-September seasonal low point in marketings.

Criticism has been made that the announced ceiling price is too high, and that it will dry up the present slight movement of corn to market. If hog prices move up to ceiling levels it is estimated that corn fed to hogs will bring around $1.45 per bushel as compared to $1.07 per bushel (the ceiling price of corn) when sold in the market. The greater profitability of feeding corn to hogs should stimulate the production of hogs, but may decrease the supply of corn available for other livestock and industrial uses. Since the ceiling applies to all grades and weight of hogs, however, it probably will have the effect of reducing the weight of the hogs marketed and thus reducing the amount of corn fed per hog.

At the same time WPA announced that the support price of $13.75 for hogs will be extended to include lighter weights from 200 to 270 pounds between September 1, 1943 and March 31, 1944. The present support price covers only hogs weighing 240 to 270 pounds. This action is undoubtedly intended to promote the marketing of hogs at lighter weights and, from the resulting saving of feed, to stimulate the marketing of farm-stored corn.

Industrial production decline in June

Declining public optimism over the course of war developments, high officials of the WPA, Army and Navy have charged that it has recently been having an adverse effect on war production, which is said to have fallen behind requirements. While public complacency may have been a contributing factor, the principal cause of a slight decline in seasonally-adjusted manufacturing activity in June was
the loss in steel production growing out of the work stopsages in the coal mines. Aggregate minerals production dropped substantially due to the sharp declines in bituminous and anthracite coal output. These declines more than offset further increases in the output of war goods in the chemical, rubber and transportation equipment industries. As a result, the FAB adjusted index of production for the month declined to 201 from 203 in May. (See Chart 4.) The index now stands at the lowest point since January, although the decline from recent levels has been relatively slight. On an unadjusted basis, industrial production in June was 1 percent lower than in May, but exceeded that of all previous months except May.

Steel production improved

In contrast to official pronouncements, the Iron Age last week asserted that industrial morale has benefited from Allied successes in Sicily. In any event, it is certain that steel production has improved markedly since the resumption of coal mining operations. After having dropped to 90.3 percent of capacity around the beginning of the month, steel operations last week were scheduled at 98.3 percent of capacity. Moreover, during the current week steel mills in the Pittsburgh district, which were hit hardest by the coal strike, are expected to operate at 100 percent of capacity.

Indicative of the effects of the coal strike, pig iron production in June fell 100,000 net tons below that of June 1942, and 341,000 net tons below the May figure, although part of the decline from May was due to the shorter month. Likewise finished steel shipments of the U. S. Steel Corporation in June dropped to the lowest level since February 1941, and were 12 percent lower than in June 1942.

Iron ore consumption also declined in June, and this factor contributed slightly toward the usual seasonal increase in building up ore stocks at furnaces and lower lake ports. In reflection of the late start in the shipping season and subsequent adverse weather conditions, ore stocks were 16 percent below last year's levels at the beginning of the current month. Expansion of iron ore fleet capacity to a new record high, and the recent opening of the new MacArthur look at the Sisco, improve the outlook for the remainder of the shipping season. However, doubt is expressed whether the revised ODT shipping goal of 91 million tons can be fully met before the end of the season.
Construction awards far below peak levels

A development which should tend to alleviate the tight materials and manpower situation has been the marked decline in the letting of construction contracts in recent months. Construction contract awards, as reported by the F. W. Dodge Corporation, declined in June for the fourth consecutive month, and reached the lowest level since February 1940. Although the June total of $230 millions was only 2 percent below the previous month, it contrasts sharply with the record monthly total of $1,190 millions reached in June 1942. (See Chart 5.)

In the face of declines in most other construction lines, contract awards for manufacturing buildings in June rose substantially above the previous month. However, the total of $54 millions was only one-fifth of the amount of manufacturing building awards in June 1942. (Refer to Chart 5.) During the first half of the current year, awards for manufacturing buildings have fallen $524 millions, or 60 percent below the corresponding period of last year.

More than two months ago the WPB announced that the nation already had sufficient plant capacity to beat the Axis. As a consequence it was stated that a large volume of previously-approved projects were to be re-examined with a view of cancellation wherever possible. In addition, the WPB has launched a share-the-plant program which is designed to utilize existing buildings and equipment to the utmost in order to keep expansion of new facilities down to the minimum. As a result of the declining trend of construction activity, many workers are being released for employment in other lines. Thus employment figures for June reveal that 99,000 fewer workers were employed on construction projects than a month earlier, while the drop from June 1942 was 791,000, or 40 percent.

Retail sales above year-earlier levels

Following a slight decline in the previous holiday week, department store sales in the week ended July 17 rose 20 percent above last year's levels. (See Chart 6.) Sales gains during the week continued to be paced by the Dallas district, with an increase of 44 percent over the corresponding week last year. The smallest gains were shown by the Boston and New York districts, where sales ran 11 percent above 1942 levels.

According to Dun and Bradstreet, retail buying continued active last week with nation-wide sales estimated to be.
running from 9 to 14 percent above the corresponding period in 1942. Many retailers were reported to be experiencing less than the usual seasonal decline in business despite relatively few clearance sales. Women's apparel continued to feature the retail demand. Fur coat sales were reported to be heavy, with cash purchases running above the levels of recent years.

Apparel and jewelry stores led June sales gains

Reports from over 14,000 independent retailers in 34 states gathered by the Census Bureau reveal an aggregate sales gain in June of 23 percent over the corresponding month last year. Part of the gain, however, was due to the rise in prices, which on the basis of latest available data are estimated to have averaged about 9 percent higher than a year earlier.

Despite recurring complaints of goods shortages, motor vehicle dealers were the only store group to report a lower dollar volume of sales than in June of last year. However, lumber and building material dealers, hardware stores, furniture stores, and filling stations probably showed some loss in physical volume on the basis of the dollar sales figures reported. The widest gains over year-earlier levels were shown by apparel stores and jewelry stores, with increases of 49 percent and 43 percent, respectively. With retail food prices 15 percent higher than in June 1942, sales of food stores and eating and drinking places last month showed intervening sales gains of 23 percent and 24 percent, respectively.
COST OF LIVING, U.S., U.K. AND CANADA
August 1939 = 100

Chart 2
MOVEMENT OF BASIC COMMODITY PRICES

PERCENTAGE CHANGE DEC. 6, 1941 TO JULY 16, AND JULY 23, 1943

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

*20 Controlled & Uncontrolled prices to June 26, 1942
TOTAL CONSTRUCTION CONTRACT AWARDS
(37 States, F.W. Dodge Corp.)

MANUFACTURING BUILDINGS
CONSTRUCTION CONTRACTS AWARDED

Office of the Secretary of the Treasury
Bureau of Research and Statistics
DEPARTMENT STORE SALES
1935 - '39 = 100. Unadjusted

Chart 6
Freezing control received excellent judicial support in the case of U.S. v. Von Clemm, decided on July 14, 1943 by the United States Circuit Court of Appeals for the Second Circuit.

Von Clemm and others had been convicted for conspiring to import looted diamonds from Holland and Belgium, pretending that these imports were from Germany. (This was after the freezing of Holland and Belgium but before the freezing of Germany.) Von Clemm was charged with making false declarations under the Customs laws and failure to obtain a freezing control license.

In the first place, the Court paid a high compliment to the manner in which the facts of the case were developed. (The Treasury people were largely responsible for this.) The Court said: "Rarely have we seen a case where illegal conspiracy was so clearly inferable from the proven facts or where the accused were so completely enmeshed in a web of their own making."

Secondly, the Court strongly sustained the constitutionality of Section 5(b) of the Trading with the Enemy Act, under which the freezing orders are issued. The statute was challenged as an unconstitutional delegation of authority to the President. The considered opinion of the Second Circuit Court of Appeals on this point - that Court being one of the strongest courts in the country - is of real significance in bolstering our economic warfare program.
I thought you would be interested in reading the first message we have received from Theodore H. Ball who recently was sent as a Treasury representative to Martinique:

"The Consul and I have talked to Hoppenot. Latter strongly objects to our taking an inventory of gold. He has accepted Robert's word and has examined de Katow's records. He bases his objection on the possibility that Martinique would misunderstand and object to an inventory by outsiders as indicating that control in this and other matters rests with others. In view of previous instructions he feels he would have to cable for permission to committee at Algiers and he would not recommend that the inventory be taken.

"Arrangements may have to be made through this channel. Recommend no action until Hoppenot returns from Guadeloupe and situation is explored again. They have no objection to my seeing boxes and checking safeguards and my inspecting de Katow's records. I shall see the three bankers tomorrow. The Consul, who has been very helpful, will accompany me."

We shall keep you informed of significant developments in this connection.
The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

Thank you for your letter of July 23, 1943 with reference to the amended wage and salary stabilization regulations. These regulations are held up because of efforts by the War Labor Board and the War Food Administration to revise the definition of agricultural labor. As soon as this matter is disposed of, I shall be glad to approve the amended regulations.

Mr. Frichard will keep in touch with the members of your staff with reference to this matter.

Sincerely yours,

[Signature]
Director

[Stamp: For Victory]

[Stamp: Buy United States War Bonds]

Regraded Unclassified
My dear Judge Vinson:

I have recently learned through discussion with my staff that the amended Salary Stabilization regulations, necessitated by the change in policies as outlined in Executive Order 9520 and the supplement thereto dated May 12, 1943, have not been promulgated.

This is a matter of serious concern to me, for the reason that it is extremely difficult for the regional offices of the Salary Stabilization Unit, as well as the headquarters office at Washington, to operate without regulations. It is also embarrassing to operate under oral instructions and confidential memoranda which cannot be made available to the public.

Failure to approve these regulations has likewise proved embarrassing to employers since, in the absence of approval of regulations, they do not know the policies under which the Salary Stabilization program is to be administered.

I am informed the final draft of these regulations was furnished your office on June 30, 1943. In the interest of orderly and expeditious handling of thousands of pending cases, may I urge that you make every effort to see that these regulations are approved at the earliest practicable date.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

File copies ret. to Chas. Bell, Copy to Mr. Sullivan.

Copy in Diary.

Honorable Fred M. Vinson,
Economic Stabilization Director,
Washington, D. C.

NG:CSB:CLK:em
7-23-43
Dear Judge Jones:

I am enclosing a copy of a cable from the Treasury Attache in London on the methods used in England for distributing foodstuffs. I think you will be particularly interested in that part of the cable which describes the mechanism of meat control (which begins on page 7) because of the extensive use of local offices in allocating meat supplies.

Of course, I am familiar with the excellent papers on various aspects of the British food distribution system prepared by Mr. Otis M. Reed and also with Paul Appleby's fine report on the problems involved. However, I thought there might be some recent developments which would be helpful.

I was very much interested in your statement during our recent telephone conversation that you hoped to decentralize further the activities of the War Food Administration. Without having studied the problem, I have always felt that some method of allocating and distributing certain critical food items, such as meat, on a county or local basis was highly desirable. My cousin, Arthur Goodhart, has told me of the excellent results obtained in England through decentralization of the distribution functions of the Ministry of Food, and it may be possible to work out some system of local allocation here.

If there is any way in which I can be of assistance, I hope you will not hesitate to call upon me.

Very truly yours,

(Signed) M. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Marvin Jones,
War Food Administrator,
Washington, D. C.

Enclosure

By Messenger Saunders 5:09 PM

JUL 26 1943

52
Secretary of State

Washington

4547, thirtieth.

FOR SECRETARY OF THE TREASURY FROM CASADAY.

Embassy's 4507 of July 10th and Department's 3897 of
June 25th.

Please correct the following in Embassy's 4507, of July
10th: Section IV paragraph 6 entitled slaughtering arrangements
please change number of slaughterhouses before the war to 16,000
so to read "some 700 exist in the U.K. as against 16,000 before the
war."

WINANT

HPD
Secretary of State,
Washington.

4507, 10th

I. SECRETARY OF THE TREASURY FROM CASADAY
Department's 3897, June 25th

I. Arthur Goodhart states on personal interview that he occupies no place in the food distribution system in this country. He is chairman of a local price regulation committee but these committees deal entirely with non-food, repeat non-food, price problems and fall under the jurisdiction of the Board of Trade. Food distribution and food price control are conducted exclusively by the Ministry of Food.

II. There is no one plan for either the purchase or the distribution of meat and other foodstuffs. The schemes for the various food items differ widely from commodity to commodity both from the procedural and administrative points of view and in other respects. In general, use is made of area or regional and

local offices
local offices in allocating supplies but these divisions are not identical for all commodities since account is taken of the origin and other characteristics of supply (such as perishability etc cetera.) The requirements for transport and similar considerations.

For all commodities on the fixed ration allocation becomes almost automatic in that the demand in a given locality is known in advance and the problem becomes one of getting a predetermined supply to the point where that known demand will exactly absorb it. This, it has often been pointed out, is the big advantage of the fixed ration - it enormously simplifies the whole distributive system.

For points rationed foods allocation is guided by the backward flow of points to wholesalers and Ministry of Food area headquarters. (This is done through the mechanism of the coupon-banking system on which many reports have been sent in). It is said that this flow from a given locality tends to become stable and roughly predictable both for the totality of the points and for the points representing the principal specific items on the ration. Wholesalers are in a position to know which items are being sent to retailers in great or little volume and whether sharp changes
sharp changes occur. On the basis of the wholesale merchants' reports the Ministry is able to allocate supplies to meet existing demands or, by manipulating the points values of the different items, to condition demand to the exigencies of the supply situation.

Since it appears to be impossible to present a short summary of the food distribution system as a whole the remainder of this report is devoted first to a summary of the general principles and requisites of an effective distribution system and second to a summary of the British meat control scheme. This material is taken from a series of reports on the "mechanism of food control" prepared by Otis Reid of the U.S. Department of Agriculture early this year. This and other material may be obtained in the food distribution administration of the Department of Agriculture and in the Foreign Information Division of O. P. A. Many of the reports contain detailed statistical and descriptive appendices including diagrams, flow charts etc cetera as well as sample agreements, contracts and the like and Ministry of Food orders and instructions. Separate reports have been prepared on milk and dairy products, feedstuffs for
feedstuffs for poultry and stock, potatoes, orange juice and vitamin products, and many others.

It appears that the Embassy possesses only file copies of this material and only of part of it at that so I shall not be able to send you further detail except at considerable cost and inconvenience. If the further detail desired cannot be obtained in Washington I shall await your further instructions.

III. The basis objective of food control is to achieve equitable distribution of a limited volume of food to all consumers. A basic assumption is that the normal competitive and price relations in a capitalistic economy cannot accomplish this objective in the stress of emergency and that accordingly strong arbitrary control and conscious planning are necessary. The very act of creating a ration implies a government guarantee (A) that the ration will be met and (B) that it cannot be exceeded by a favored few. This guarantee requires strong measures.

Starting with the assumption that the control system must be "tight, manageable and efficient" Reid lists the following requisites.

Right manageable and efficient control requires:

(1) The creation of a bottleneck through which the whole supply of the commodity flows. (2) Control of all the
all the handlers of the commodity. This means at least licensing of all handlers and some sort of check on all transactions. (3) Reorganization and simplification of the normal channels of trade. (4) Fixed channels of supply - I.E. registration of consumers, tying of retailers to wholesalers etc cetera. (5) Simplification and standardization of the commodity. (6) Uniformity in prices and rations over large areas. (7) Direct government buying and selling of all or part of the available supply of the commodity. (8) The use of subsidies either in the form of direct payments or losses on government trading. This is because the major purposes of control frequently require such moves as sales at less than cost; elimination of some handlers and maintenance of others as "stand-by units" without current function; equalization of prices regardless of transport and other cost differences etc cetera. (9) That ease of policing be built in when the system is devised. British experience strongly indicates that no conceivable number of enforcement officers can prevent widespread violations in a control system which is loosely conceived and which does not have the
have the sympathetic support of the trade and consumers. (10) Maximum use of the normal personnel of the trade. This is not identical with use of the normal channels of trade. These too are used wherever possible but no hesitation is shown in reorganizing, eliminating or replacing the channels as such when effective control so requires. The normal personnel of the trade are the only ones capable of proper handling and the countless technical details involved in the distribution of millions of units of a commodity. (11) Maximum administrative decentralization.

In addition to the basic consideration of tightness manageability and efficiency and effective control system must achieve: (1) Convenience to the consumer. No effort should be spared to minimise shopping, queuing and "missed rations" for the busy war-time housewife. (2) Equitable treatment insofar as possible for the various branches and elements in the trade.

Reid's report discusses at some length the implication of control on the relations of government, business and consumers. It seems clear that the government must depend to a considerable extent on associations of producers and traders and perhaps even encourage
even encourage a tendency to monopoly (in form at least) in order to simplify the production and distribution system. Most individuals familiar with Britain's food program with whom I have talked here are agreed that a certain amount of what might be called an "appeasement" or "collaborationist" attitude toward "big business" in the food trades is essential to developing a "tight, manageable and efficient" control but it is emphasized that the ultimate authority must rest with the government and that this power must sometimes be used ruthlessly. Commentators here believe that the best results can be obtained if a single agency assumes responsibility for all aspects of food control from production through distribution and pricing to the rationing of final consumption. An incidental result of firm control accompanied by "streamlining" existing organizations is a substantial saving in manpower. In some branches this saving has been as high as fifty percent in comparison with pre-war.

IV. Mechanism of meat control.

The Ministry of food is the sole purchaser and distributor of all meat in the United Kingdom.

Meat is
Meat is distributed on the basis of the actual number of individuals registered with retail butchers in each local food area and not on any broad regional or county basis. The value of the individual ration is fixed at present at 15.2D. per week. The mechanism for distributing meat to consumers is organized in the following manner.

(A) Collection centers: The Ministry of Food is the sole purchaser of all livestock intended for human consumption. Farmers must make it known to the head officer of the nearest collection center, of which there are some 600 in the country, that they desire to bring forward livestock at least 12 days before it is scheduled to be sold for slaughter. All such notices are summarized in each collection center and are passed on to the area meat and livestock officers, eight in number for the entire United Kingdom, who make summaries for the whole area under their jurisdiction. These in turn are passed on to the central office of the Meat and Livestock Division of the Ministry of Food. The object of this advance information is to ensure adequate slaughtering.
adequate slaughtering, transport, storage and distribution arrangements, items of importance when dealing with a perishable commodity such as meat. Collection markets are held usually once a week in the regular pre-war local auction markets. The farmer brings his livestock to the center, where necessary by means of Ministry Transport, the cost of which is deducted from the price the farmer receives. The auctioneer, now a Ministry agent, is in charge of the center. The principal function of the collection centers is the grading of livestock which is done by a "certifying authority" made up of the auctioneer, a farmer and a butcher. Grading is done to ascertain the deadweights of the live animals and not for quality since payment is made on a liveweight basis except in the case of pigs. Graders must classify sheep and estimate the probable dressed weight of each small flock. For cattle they estimate the killing-out percentage and determine actual liveweight by scales. The farmer is given a sheet showing the grades assigned to his animals, a copy of which is sent to the county chairman of auctioneers who sees that the appropriate check is sent to the farmer within 3 days.

(B) Prices: The Ministry manipulates prices of...
prices of livestock in order to encourage orderly marketing. Prices that will be paid week by week for each class of animal are announced for well over a year in advance in order to prevent speculation by either the withholding or forwarding of cattle. Since the Ministry of sole purchaser. The prices paid for livestock can be adjusted to best serve the administration's desired ends rather than be related to actual selling prices. Any losses involved in the transactions can be made up in other branches of the Ministry's trading or accepted as trading losses.

(C) Slaughtering arrangements: Graded livestock is transported to the slaughterhouses (of which some 700 exist in the U.K. as against 1600 before the war) by contract haulers operating on Ministry account. The Ministry is sole slaughteroer, having taken over the largest, best equipped and best located slaughterhouses in the 8 meat areas. Slaughterhouses are managed by full-time officers appointed by the Ministry. Actual slaughtering is done by contractors working on a fee basis.
After slaughtering the carcases are dressed and the by-products are set aside for special uses. The meat is then graded into four grades: first and second quality meat for retail sale, and good and poor quality meat from manufacturing purposes.

After this grading process the meat is transported by Ministry contractors to the nearest wholesale meat supply association depot for distribution to retailers.

(D) Wholesale meat supply associations: All wholesale distribution of meat in the U.K. is handled by eight wholesale meat supply associations, six operate in England and Wales and two in Scotland. The associations are made up of all firms and individuals who were engaged in the wholesale meat trade just prior to the war. The term "wholesale" is defined as sale or distribution of meat in carcases, sides, quarters, or smaller portions to other wholesalers or retailers. The associations operate simply as agents of the Ministry of Food and they are reimbursed on a fixed commission for the volume of meat they handle. This commission has been established at a rate...
at a rate which has been determined by costings investigations to be sufficient to cover all reasonable expenses of the associations and leave a small surplus for the reimbursement of its members. This surplus is held as an associations pool and is divided amongst all members on a pro-rata basis based on the proportion of total turnover which each firm handled during a pre-war period.

There are some 913 wholesale meat depots in the U.K. which carry out the actual work of the associations. The functions of the depots include the splitting of carcasses into sides and quarters, working arrangement for transporting the meat to the retailers' shops and keeping track of the amounts of meat sent and money owed.

(E) Retail buying committees: In England and Wales the manager of the depot does not contact the retailer directly, which is the case in Scotland, but he deals with the retail buying committees. These are voluntary organizations set up by retailers at the suggestion of the Ministry. Normally there will be one such committee for each local food office area and all retail butchers, large caterers and other groups
other groups which normally buy meat at wholesale will be members of this committee. The main functions of the committee are to appoint allocation officers and to supervise generally the process of all sales and payments to be made by retailers. The allocation function is particularly important and the Ministry's action is delegating his job to a representative of the retailers themselves is an outstanding example of the way in which it has avoided becoming involved in the more delicate and technical aspects of the operation of the trade.

(F) Actual operation: The mechanism described above actually operates in the following manner. The allocation officer of the retail buying committee makes known to the manager of the wholesale depot how much meat the retailers in his committee will require for the week. His amount is determined by the number of individuals rationed with the retailers in his committee. The depot manager adds up the requirement for his collection of butchers (normally fifty) and forwards them a week in advance to the area meat and livestock officer. He in turn will compute the total demand for his area and forward it to the central headquarters of
headquarters of the meat Division in the Ministry of
Food. The area meat and livestock officer knows from
the notices compiled by the collecting centers how
much domestic meat will be coming forward in each
locality. He matches the forthcoming supply of
each collection center with the needs of the whole-
sale depots nearest to it. If one depot will have
a surplus, arrangements will be made to have the excess
meat sent to the next nearest depot in the area which
has a deficiency. If it seems there will be an excess
for the area as a whole, notices are sent to central
headquarters where arrangements can be made for
transporting the meat to an adjoining deficiency area.
If home-killed supplies are less than demand, as is
almost always the case, the area meat and livestock
officer will give directions for sufficient imported
meat to be delivered from the nearby stores of the
Meat Importers National Defence Association Limited,
to the wholesale depots.

At this point in the operation of the scheme
it becomes necessary to describe briefly how imported
meat enters the system. Meat is purchased abroad on
the basis of long term contracts by Ministry
agents and
agents and shipped to England. Upon arrival at port it is taken in charge by the port meat officer and a representative of the Meat Importers National Defense Association Limited (Mindal). This organization is made up of all pre-war importers of meat and is responsible for handling the meat on arrival and storing it under the general storage scheme of the Ministry and finally for delivering it to the wholesale meat depots as needed. The association is remunerated on a commission basis which was determined after a costings investigation and payments are made to all members on a pro-rata basis depending on the volume of their pre-war trade. Of particular interest is the arrangement by which the Ministry keeps control of the association by having two shareholders in the company, either of whom has a majority vote. A smaller organization, the Associated Canned Meat Importers' Limited, operates for canned meat.

After the depot manager physically collects the necessary home-killed and imported meat to satisfy the requirements of the butchers in his area, the allocation officer of the retail buying committee decides just which kinds and qualities of meat and

which specific
which specific sides or quarters or whole carcases are to go to each retailer. He attempts to make up the exact value of each retailer's buying permit, taking into account the nature of the trade done by each retailer and attempting to secure an equitable adjustment of the proportion of good and poor meat going to each retailer over a period. The retailers rely on the allocation officers' judgment entirely and express no choice with regard to the type of meat they would like. However, some retail buying committees have at their own expense set up re-allocation depots where some of it may be cut up more meticulously than at the depots. There the butchers who want to concentrate on steaks can get them by arranging a trade with a fellow retailer who may want fewer steaks and more soup bones. When the meat is sold to the retail buying committee it leaves the direct ownership of the Ministry for the first time, but of course the price paid by the final consumer still remains under Ministry control.

WIN.ANT.
MEMORANDUM TO THE SECRETARY:

Supplementing report to you of July 19, 1943, the purchases against the African Program from July 19, 1943, to July 25, 1943, totaled $1,336,626.25 or a total of purchases for the program thus far of $50,186,634.19.

Attached is report giving status of shipping against these purchases.

Clayton L. Jack
Director of Procurement
### SHIPPING REPORT AS OF JULY 24, 1943

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<th>Tonnage Shipped to Date From U. S. A.</th>
<th>Tonnage Under Load At Port</th>
<th>Tonnage On Hand at Port Waiting Vessels</th>
<th>Tonnage En Route To Port</th>
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July 26, 1943.

My dear Mr. Stettinius:

The Secretary has asked me to acknowledge your letter of July 22, which encloses his personal and private copy of the report on the status of the Soviet Aid Program, as of June 30, 1943. Mr. Morgenthau was glad to have this and will read it with close attention.

Sincerely yours,

Signed: H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable E. R. Stettinius, Jr.,
Administrator, Office of Lend-Lease Administration,
Fifteen 22nd Street, N.W.,
Washington, D. C.

Blue Report ret'd to Stettinius at his request 8/24/43.
Dear Mr. Secretary,

Attached hereto is your personal and private copy of the report on the status of the Soviet Aid Program, as of June 30, 1943.

This report summarizes the aid furnished to the Soviet Union to the end of the Second Protocol period.

Sincerely yours,

[Signature]

E. R. Stettinus, Jr.
Administrator

Attachment
July 26, 1943.

Dear Mr. Feyser:

The Secretary appreciated your sending him a copy of the report upon the production progress of the Protocol, as rendered by Mr. Nelson to the President. He has asked me to thank you for your letter of July 21, enclosing this document, and to tell you that he will read the report with much interest.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

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

GEP/dfs
WAR PRODUCTION BOARD
WASHINGTON, D. C.

July 21, 1943

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

Dear Mr. Morgenthau:

I am enclosing herewith a copy of the report upon the production progress of the Protocol rendered by Mr. Nelson to the President.

Since this report is the final report of the Second Protocol year, it contains a summary of problems and results during the year.

Sincerely yours,

[Signature]

E. A. Payser
Director, Foreign Division

enclosure
My dear Mr. President:

Attached hereto is the final monthly tabulation showing progress made toward fulfillment of materials and equipment production programs for the Union of Soviet Socialist Republics under the Second Protocol. Attached also is a summary review of the major problems and developments which have marked production aspects of the program during the past fiscal year.

You will note that the performance record achieved is an impressive one. Not only were Protocol commitments fulfilled in the vast majority of cases, but, more important, American industry succeeded in making available more of practically every type of equipment than vessels bound for the USSR could transport.

As the accompanying reports show, the status of the raw materials and industrial equipment program is now such that it seems that, with minor exceptions, production and materials limitations no longer present an obstacle to the complete fulfillment of the Soviet aid program inaugurated in 1941. Altogether, during the Second Protocol year, almost a million tons of raw materials and industrial equipment were produced for the USSR which could not be exported. Shipping space, therefore, and not production appears so far to have been the principal overall factor limiting the flow of supplies to the USSR.

Respectfully yours,

/s/

Donald M. Nelson

The President
The White House
Washington, D.C.

Attachments

Regraded Unclassified
REVIEW OF PRODUCTION OF MATERIALS AND INDUSTRIAL EQUIPMENT OF USSR ACCOUNT UNDER THE SECOND RUSSIAN PROTOCOL

In contrast to the situation under the First Protocol, production of raw materials and industrial equipment during the Second Protocol period far exceeded, in the case of every major category, shipping availabilities of the USSR.

Month after month, American mills, plants and factories poured forth a volume of goods for export to the Soviet Union which exceeded by thousands of tons the lifting capacity of vessels available for Soviet Service. With the exception of a few extremely critical items which were promised only in limited quantities (e.g., aluminum, nickel, alloy steel tubes, etc.), more of every type raw material and industrial equipment was available for shipment to the USSR at any given moment during the past twelve months than could possibly be loaded upon available vessels.

The truth of this is amply demonstrated by the stocks situation which prevailed at the close of the Second Protocol period. By June 30, 1943, almost a million tons of raw materials (i.e., metals and chemicals) and industrial equipment were held in warehouses and at seaside on USSR account. Against this, an average of only about one hundred thousand tons of shipping space was available per month for supplies of these types. Stocks of raw materials and industrial equipment, when viewed from the over-all standpoint, equaled, then, nine to ten months shipping requirements. Moreover, these stocks were growing rather than decreasing. Into the Pacific Northwest were passing each month a total of more than 300,000 tons of supplies, a large part of which were raw materials and industrial equipment, while only some 125,000 tons were being lifted. A like condition existed on the East Coast.

Measured by the realistic standard of the extent to which actual requirements, as determined by shipping possibilities, were met, the Soviet raw materials and industrial equipment production program was, then, one of the most successful supply programs undertaken by this Government during the past year.

Measured by the more artificial standard of the extent to which production promises, as set forth in the Second Protocol, were fulfilled, the program was also eminently successful. Except for items deliberately curtailed because of unwieldy stocks, and except for a few relatively minor items, production in the case of virtually all Protocol categories was up to, or in excess of, commitments.
I. INDUSTRIAL EQUIPMENT

Because of the difficulties involved, this success was most striking in the case of industrial equipment.

When the Second Protocol supply program was first offered the USSR, US authorities felt that delivery of not more than $162,300,000 in industrial equipment of all types could be promised. ($9,000,000 in hard alloys and cutting tools; $3,600,000 in abrasives; and $130,000,000 in machine tools, forging presses and hammers, electric furnaces, and various industrial equipment). Subsequently, after great pressure was exerted by Soviet representatives, this amount was increased to $176,000,000. In addition, the US undertook to get under way programs to supply all well drilling equipment, refinery equipment, and power generating equipment estimated (at that time) to total some $75,000,000 in value.

Against the original promise of $162,300,000 of equipment, and the later promise of between $176,404,000 and $231,404,000, actual deliveries during the Second Protocol period totaled $263,718,000. These deliveries exceeded promises and possibilities that almost half remained unexported as of June 30, 1943. Altogether, on June 30th, more than 100,000 tons of industrial equipment were held in warehouses alone. Large additional quantities were at sea, or in transit to sea.

In evaluating this performance, however, emphasis should not be placed solely, or even primarily, on the dollar value of completed items. The Soviet industrial equipment program was far more complex and difficult than the dollar value involved would indicate. Many of the items included were not standard American items. For these, special tools, special engineering developments, and, in some cases, special materials were required. Further, a disproportionately large part of the program was for restricted types of equipment. Orders did not range over the entire field of the industrial equipment industry. Thus, while the total dollar value of the Russian program represented only a fraction of total US productive capacity, in particular categories it represented a very appreciable percentage. The program, therefore, presented problems to American industry of an exceedingly difficult nature. The fact that these problems were overcome would seem to be a better indication of the progress made than dollar value figures.

Sight should also not be lost of the fact that along with the delivery of $263,718,000 of equipment during the Second Protocol period, very substantial progress was made toward the completion of additional industrial equipment items on order for the USSR. Altogether, on June 30th, fabrication was underway on more than $500,000,000 of equipment over and above the amount actually made available. And, in the case of this, fabrication was so far advanced that most of it, despite its long-run character, was scheduled to be shipped from plant in less than six months time. If the materials, labor, and fabricating facilities which were used for this equipment during the Second Protocol period were added as well to the labor, materials and facilities which were used for the $263,718,000 of equipment delivered, it would be found that the drain of the Russian equipment program on the US during the Second Protocol period amounted to well over a half billion dollars.

While it is not possible in a report of this nature to present full details as to the industrial equipment program, the general nature of the problems involved and the methods employed can be indicated through a review of the more important particular programs included.

A. MACHINE TOOLS

Machine tools were the most important single item in the equipment program.

Under the Second Protocol, the USSR requested a total of 21,000 machine tools with an estimated value of $175,000,000. Against this, the US was able to offer delivery of only 6,000 tools with an approximate value of $53,000,000.

In keeping with the general spirit of the Protocol, however, the WPB considered the number of tools promised as the absolute quantity which was actually to be supplied. Every effort was made to produce as many tools on Russian account as possible, regardless of the exact commitment, and to ship them as quickly as possible. Soon after the signing of the Second Protocol, the exact commitment was given AA-1 ratings. Subsequently, AA ratings all Russian orders were assigned AA-1 ratings. Subsequently, A4 ratings were assigned to many especially difficult cases and to 230th more components. In a number of instances, tools had actually been made and held in inventory for the next 230 days.

Because of the size of the Russian machine tool program and the generally difficult situation which existed in the industry, deliveries during the first months of the Protocol period were slow, despite all efforts to expedite them. Beginning in December, 1942, however, a marked acceleration began. This continued throughout the last half of the period, and, as a result, by June 30th more than twice the amount of machine tools promised had actually been made and delivered. Altogether, 12,377 tools with all necessary parts and accessories were delivered.
accessories were delivered. These totaled in value approximately $10,033,000. Specific deliveries were as follows:

**MACHINE TOOLS MADE AVAILABLE ON ACCOUNT USSR**  
**July 1, 1942 - June 30, 1943**

<table>
<thead>
<tr>
<th>Machine</th>
<th>Units</th>
<th>Value (000 Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boring Machines</td>
<td>623</td>
<td>10,511</td>
</tr>
<tr>
<td>Broaching Machines</td>
<td>69</td>
<td>785</td>
</tr>
<tr>
<td>Cut-Off Machines</td>
<td>121</td>
<td>829</td>
</tr>
<tr>
<td>Drilling Machines</td>
<td>623</td>
<td>6,311</td>
</tr>
<tr>
<td>Gear Cutting &amp; Finishing Machines</td>
<td>264</td>
<td>2,532</td>
</tr>
<tr>
<td>Grinding Machines</td>
<td>2,736</td>
<td>19,851</td>
</tr>
<tr>
<td>Honing &amp; Lapping Machines</td>
<td>96</td>
<td>832</td>
</tr>
<tr>
<td>Lathes</td>
<td>3,206</td>
<td>41,201</td>
</tr>
<tr>
<td>Milling Machines</td>
<td>3,189</td>
<td>23,256</td>
</tr>
<tr>
<td>Planers</td>
<td>98</td>
<td>1,352</td>
</tr>
<tr>
<td>Shapers &amp; Slotters</td>
<td>329</td>
<td>1,374</td>
</tr>
<tr>
<td>Threading Machines</td>
<td>372</td>
<td>3,519</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,787</td>
<td>110,833</td>
</tr>
</tbody>
</table>

It should be noted that in the case of machine tools as well as of other materials, domestic deliveries far outran overseas shipments. As of June 30th, some 3,906 complete tools, with parts and accessories, were held in Ordnance warehouses on USSR account. These totaled 50,000 short tons in weight and approximately $49,000,000 in value.

**B. FORGING PRESSES AND HAMMERS**

The production record achieved in the case of forging presses and hammers was comparable to that achieved in the case of machine tools. For the Second Protocol period, the USSR requested a total of $65,000,000 of this equipment. Against this, the US felt itself unable to promise delivery of more than 500 units with a total value of approximately $13,000,000. Altogether, however, 1,130 units were made available. The total value of these amounted to approximately $25,400,000. Specific deliveries were as follows:

**FORGING PRESSES AND HAMMERS**  
**July 1, 1942 - June 30, 1943**

<table>
<thead>
<tr>
<th>Machine Type</th>
<th>Units</th>
<th>Value (000 Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bending Machines</td>
<td>61</td>
<td>583</td>
</tr>
<tr>
<td>Forging Machines</td>
<td>230</td>
<td>7,606</td>
</tr>
<tr>
<td>Presses</td>
<td>855</td>
<td>16,669</td>
</tr>
<tr>
<td>Shearing &amp; Punching Machines</td>
<td>77</td>
<td>231</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,223</td>
<td>25,933</td>
</tr>
</tbody>
</table>

**C. REFINERY PROGRAM**

The Soviet Refinery Program was conceived as early as June, 1941. In July, 1941, Soviet representatives made inquiries to a number of US engineering and contracting firms specializing in petroleum refining equipment as to the possibility of USSR requirements being met. The companies contacted lacked adequate information as to the type of crude which was to be processed and as to the likely location of the plants. The plants which they offered to produce, therefore, were not suitable for use in the USSR.

For several months after these preliminary inquiries, no progress was made in getting the project definitely under way. In April, 1942, however, petroleum technologists, sent especially from the USSR for the purpose, consulted with the Office of the Petroleum Administration for War and presented more exact information as to the facilities which their Government wanted. While the information supplied was not as complete as needed, it was sufficient to enable a beginning to be made. The PAM, in cooperation with the NPB, Treasury Procurement, and the OLA, was consequently able to work out a program which seemed likely to meet USSR requirements and which at the same time would fall within US productive capabilities. This program was formally offered the Soviet Government by the President's Soviet Protocol Committee under the Second Protocol.

The program as finally worked out consisted of four refinery plants and two desalting and dehydrating plants. The four refinery plants were capable of processing approximately 40,000 barrels of crude and gas oil per day. Worked at capacity, they would produce per day 3,900 barrels of high octane (100 octane) aviation gasoline, 750 barrels of aviation lube oil, 16,500 barrels of motor gasoline, 12,500 barrels of bunker fuel, and ten tons of oil-free wax. The total capacity of the plants exceeded appreciably, in terms of equivalents, the capacity of the larger number of plants originally requested by the USSR. The two desalting and dehydrating units were to be capable of processing 40,000 barrels of crude per day. The cost of the entire lot of equipment was to be approximately $39,000,000.
The program was placed under requisition on September 23, 1942. A prime contract for the whole program was given to one company, the E.B. Badger and Sons Company, who were made responsible for coordinating the over-all engineering and procuring work.

Immediately after approval of the requisition, the entire project was assigned an AA-1 priority rating by the WPB. Under this rating, substantial progress was made in getting the basic, heavy equipment on a satisfactory production schedule. It was found, however, that because of conflict with other extremely urgent domestic programs, a great many of the critical components necessary for the completion of the program were likely to be greatly delayed. The WPB, therefore, decided to give the project a super priority rating. In December, 1942, a Special Direction was issued. This Direction, which was given urgency number five, gave the project an overriding priority vis-a-vis all domestic programs, including the domestic aviation gasoline and synthetic rubber programs, with the exception of four plants which were close to completion. On the completion of these four plants, the Russian program enjoyed the highest priority rating in the country.

Under the Special Direction, it was specified that the entire project should be completed during the month of August, 1943. Considering the scope of the undertaking and the difficult nature of much of the equipment involved, fulfillment of this schedule, even with the overriding priority assistance granted, offered very great difficulties. The program as originally set up was by no means simple; as production progressed, it was further complicated by Soviet requests for refinements and improvements. Because of changes in design, new requisitions for very critical components were, until a short time ago, constantly being submitted. (As a matter of fact, some requisitions have been filed so recently that contracts against them still remain to be placed.) Nevertheless, every effort was made to adhere to the schedule; lead factors specified on the Special Direction were repeatedly revised; the entire program was exempted from compliance with WPB’s War Construction Standards; many supplementary items which were not to be physically incorporated in the projects and therefore could not be covered by the Special Direction were given AAA ratings; and extraordinary arrangements were made to facilitate transportation and assembling of components. Repeatedly, WPB Industry Divisions and manufacturers were informed in the strongest terms that nothing was to be permitted to interfere with completion of the program.

As a result of these varied efforts, the program was well on the way toward completion by the end of the Second Protocol period.

On June 15, 1943, of a total of 110,000 short tons of equipment involved, 68,661 tons had been shipped from the plants of fabricators. In the case of the remaining 41,339 tons, 33,000 were scheduled for July, 7,000 for August and only 1,339 for September. To all intents and purposes, therefore, the entire project will be completed by August, less than eleven months after it was placed under requisition.

D. POWER PROGRAM

The Second Protocol power program was initiated in May, 1942. It was only in August and September, however, that negotiations in regard to it were completed and requisitions accepted. The program, as finally worked out, consisted of equipment totaling more than $50,000,000 contracted value. Included were steam generating equipment, Diesel generating equipment, and industrial boilers, together with numerous accessories.

From the inception of the program it was apparent that very great obstacles would be encountered in meeting production schedules desired by the USSR. All projects were consequently immediately granted AA-1 priority ratings. In many instances it was found that even this rating, which was superior to the rating granted most comparable domestic programs, was not adequate. Assignment of AAA ratings, or issuance of special directives to break particular bottlenecks, was thereupon frequently found necessary.

To secure expeditious action in these cases, arrangements were worked out between the Power Division and the Special Rating Branch of WPB whereby requests for up-ratings could be handled on an hour-to-hour basis. As a result, hundreds of AAA requests were taken care of with a minimum of delay. As a further means of coping with obstacles, the Power Division set up a special section to deal with the program, and manufacturers, especially turbine manufacturers, were requested to supply members of their staffs, on a full-time basis, to the Power Division to assist in the coordination of the whole program with the parts being carried out by their companies.

Of the several parts of the program, greatest difficulty was offered by the Diesel equipment.

Included in the Diesel program were 1,644 units. These totaled 263,666 h.p. in capacity and $74,780,065 in value.

Unfortunately, it was not possible to divert Diesel units intended for domestic consumption to fill Russian requirements.
Sets intended for domestic use were designed for sixty cycle current and, generally speaking, the engines could not be modified to operate fifty cycle generators, the type required by the USSR. However, the equivalent of diversions was achieved in many instances through replacing domestic orders with Russian orders. Very frequently, domestic schedules were drastically delayed or curtailed to allow Russian items to move ahead. A careful study was made by the Power Division of the facilities of all Diesel engine manufacturers, and orders were distributed among manufacturers in accordance with their capabilities despite the pressure of domestic orders. In three instances, entire facilities of manufacturers were turned over to Russian items.

Although it was not possible to complete all of the Diesel equipment before the end of the Second Protocol period, the program was put on such a satisfactory basis that it is anticipated that it will be completed during the first few weeks of the Third Protocol period. As of June 30th, more than half of the total units had been shipped from plants of manufacturers. The remainder are scheduled to be shipped by early August, 1943.

The steam program originally totalled some 240,000 k.w. in capacity and $16,000,000 in value. It included units ranging from 250 k.w. to 35,000 k.w. To this original program were later added units for the Russian tire factory project, oil refineries, etc. These units varied in size from 800 k.w. to 25,000 k.w., with the bulk in the 3000-6000 k.w. class.

In large part, the turbines necessary for the steam plants were procured through diversions from domestic or foreign projects. Of a requirement of six 1000 k.w. package type units, three were procured through taking parts of nine partially complete units intended for shipment to China. Sixteen larger units intended for domestic use were also secured through diversions. Eleven of these were originally built for utilities and the remainder for industrial concerns. In addition, two 35,000 k.w. units which had been installed for a number of years were remodeled and made available to the USSR. Of the supplementary plants needed for the tire factory, oil refineries, etc., virtually all were secured from other programs. Thirteen units were diverted from utilities or industries, two 1000 k.w. units were obtained from a newspaper plant and one unit was secured from a Navy Yard.

Twenty-six boiler units were required for the steam plants. These varied in size from 30,000 pounds of steam per hour, to 500,000 pounds per hour and ranged in design pressure from 225 pounds to 975 pounds. As in the case of turbines, diversions were extensively relied upon in the procurement of these.

The industrial boiler part of the program amounted to $5,450,000 in value. It consisted of 99 units ranging in size from 28,000 pounds per hour to 450,000 pounds per hour. The pressure range was from 250 to 550 pounds. The total steam generating capacity equaled more than 7,000,000 pounds per hour.

It was not possible to divert any of the boiler units from domestic or other foreign programs. However, these programs were in numerous cases delayed or curtailed in order to make possible acceleration of Russian schedules. As a result, most of the units were completed, or nearing completion at the end of the Second Protocol period.

A disturbing feature in regard to the present status of the Power Program is the fact that most of the equipment which has been made available over the past six or eight months has not been exported to the USSR. As indicated in the above discussion, extraordinary measures, which in a great many cases were very costly to domestic programs, had to be applied to achieve production at the rate requested by Soviet representatives. In spite of this, most of the items procured through these efforts have not gone to the USSR, but have gone into warehouses in the Pacific Northwest and other areas. Included are plants which Soviet representatives greatly desired and which were secured only with the utmost difficulty. For example, turbine generators which were released by a domestic consumer in November in order that overseas shipment might be made by December 15, 1942 are apparently still awaiting export. The same is true of the three foreign units which were diverted from the Chinese Program in October, 1942.

Altogether only a fraction of the equipment which has been made available has been lifted. Further, it appears that unless shipping conditions materially improve, the situation will get worse rather than better. Plant shipments against the old program are currently greater than ever before, and in a few weeks deliveries against the Third Protocol program are scheduled to begin. A stockpile of from forty to fifty thousand tons of power equipment therefore seems likely within the near future.

B. TIRE PLANT PROJECT

The supply of a complete tire plant was requested by the USSR as early as August, 1941. At that time, the President agreed that a plant would be made available as soon as production conditions would permit.
After thus receiving approval of their request, Soviet representatives did not present details as to the type of plant desired. Instead, with the assistance of engineers of the Armstrong Rubber Company, they worked out themselves details of a plant and submitted at various times a series of requisitions which together called for a complete plant. As these requisitions were received by the U.S. Government pleemus, neither the OLLA, the WPB, nor Treasury Procurement was aware that all belonged to a single program. Consequently, the various items included could not be scheduled in such a way as to make possible completion of the plant within a reasonable period of time.

Several months after the submission of the first of the requisitions, it came to the attention of the OLLA that a complete tire plant was being ordered. OLLA, WPB, and Treasury Procurement engineers then reviewed the requisitions and the contracts which had been placed. This review revealed that the project as it was then being carried out faced obstacles which made it impracticable. It was consequently suggested to Soviet representatives that they abandon the idea of securing new equipment and take a plant which could be secured from existing establishments in this country. After considerable negotiation, Soviet representatives agreed to this. They felt, however, that a new plant would have to be modernized in a number of ways if it were to meet the requirements of their own U.S. authorities recognized and accepted the correctness of this position.

It was consequently decided to supply a complete plant made up of a combination of new and used equipment. At first, it was planned to survey the tire making industry and see what parts from different existing plants could be secured. It was soon learned, however, that the Ford Company was willing to dispose of an entire plant which it owned. Russian engineers agreed to accept the proffered Ford Plant.

On an examination of the Ford equipment it was found that very considerable changes would be necessary. Besides the need for modernization, it was necessary to arrange for shifting the plant from the production of passenger car tires to truck tires.

As the project was worked out, it was found that the total cost of the equipment involved would be approximately $6,000,000. Of this, $3,000,000 was required for purchase of the Ford equipment and $5,000,000 for the purchase of new supplementary equipment. The capacity of the plant was to be one and one-half million tires per year.

The new plant was decided upon in September, 1943. WPB, Treasury Procurement and OLLA representatives immediately gave every assistance to the Soviet Government Procurement Commission in preparing requisitions. Contracts against these were placed as expeditiously as possible and the project was fully under way by October, 1943. It was originally hoped that most of the required equipment, including all of the Ford equipment, would be ready for shipment by December, 1943. Because of frequent changes in Russian specifications, however, and other factors, appreciable shipments could not begin before April, 1944.

From that time on, shipments were rapid. All of the Ford equipment was shipped in May. Of the remaining $6,000,000 of equipment, $3,000,000 had been completed and shipped from vendor's plants by the end of June. Present schedules call for the shipment of all of the remaining essential items before September, 1945.

Use of the plant by the USSR will not have to await receipt of all items, however. In arranging schedules, U.S. authorities established a production program according to which the parts necessary for operation of the plant at one-third capacity (i.e., at the rate of 800,000 tires per year) could be shipped two to three months before the whole plant was completed. All of these parts are scheduled to be completed and ready for export before the end of July.

7. MISCELLANEOUS EQUIPMENT PROGRAMS AND ITEMS

In addition to the major program above referred to, the USSR had a number of smaller industrial equipment programs under order during the Second Protocol Period. Included among these were hard alloys and small cutting tools, electric furnaces, precision measuring tools, various electrical equipment, cranes, excavators, an aluminum mill, melting and refining equipment, various industrial plants, a signal system, bearings, etc.

The hard alloys and small cutting tool program, though relatively small in dollar value, was of considerable importance to the over-all Soviet program in that it consisted of replacement of over-all Soviet programs in that it consisted of replacement of the spare parts for the main tools (i.e., drills, reamers, milling cutters, attachments for machine tools, etc.).

The Second Protocol provided that a total of $22,404,000 of these items would be supplied during the period July 1, 1943 to June 30, 1945. Soviet representatives, however, did not submit requisitions for the full amount allotted. Altogether, only about $19,000,000 was placed on order. Against this, deliveries totaled

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Disclosure Prohibits Order Enlarged Art
$17,330,000, leaving less than $3,000,000 to be completed after
June 30, 1943. Considering the fact that many requisitions were
placed late during the Second Protocol Period, and the fact that
numerous fabrication problems were involved, this performance is
considered generally satisfactory. Judging the requirement of the
USFR for equipment of this type by the general machine tool situa-
tion of the USSR as presented by Russian representatives, shipments
should have been adequate to meet replacement needs.

Electric furnaces requested by the USSR under the Second
Protocol totaled 500 units with an approximate value of $24,000,000.
However, because of pressure of the metallurgical expansion program
in this country, the United States was unable to agree to a definite
promise on the quantity which could be made available. It under-
took to make "a best effort" to produce as many of the approximately
$6,000,000 worth on order as possible, but an exact commitment was
felt unwise.

Actually, during the Second Protocol Period, a total of
$3,669,000 of electric furnaces, including spare parts and accessories,
were produced on USSR account. In addition, production was well
advanced on an additional $1,400,000.

In the Third Protocol Period, it is anticipated that the
electric furnace situation of the US will be very much improved. The
War Production Board has felt, therefore, that under the new Protocol,
as much as $13,000,000 of furnaces, the amount requested by the USSR
can be supplied. Requisitions for most of this amount have already
been received and are in process of being worked into fabricators'
schedules.

The most unsuccessful phase of the Second Protocol equip-
ment program was in the field of gauges and precision measuring tools.
While there was no definite commitment for equipment of this type, the
USFR had on order during the Second Protocol Period approximately
$1,750,000. It was anticipated that most of this could be supplied
by June 30, 1943. However, performance fell far below expectations.
The reasons for this were:

1. The fact that Soviet orders were not spread over the entire
range of such equipment, but were confined to a relatively
few types;

2. In keeping with the wishes of the Soviet representatives,
orders were placed with only a few of the many fabricators
in the field;

3. The industry expansion program of the United States,
Canada and Great Britain caused requirements for pre-
cision tools to be extremely heavy; and

4. Priority ratings assigned Russian orders were, for a
period of several months, too low to insure rapid de-

civery.

War Production Board officials in March, 1943, became
concerned over the slowness with which precision tools were being
shipped. A careful survey was consequently made of the entire situa-
tion, the exact status of every contract being examined and reasons
for delays explored. Manufacturers were then individually requested to
readjust their schedules in such a way as to insure an immediate
improvement. As a result of these efforts, it was possible to es-

tablish a satisfactory delivery program for the last two months of
the Protocol Period. In those two months, shipments nearly equaled
the total of the previous nineteen months of Protocol assistance to
the USSR. And by June 30, 1943, the still uncompleted orders
were under a schedule which would insure their completion within
a few months.

Electrical equipment of various types (i.e., motors, trans-


former, distributors, and miscellaneous) which the USSR had on order
during the Second Protocol Period totaled some $12,000,000. Most of
these orders were confined to relatively few manufacturers, and were
concentrated in a narrow field insofar as type was concerned. They
consequently offered production problems far out of proportion to
their number and value. Nevertheless, deliveries were substantial,
a total of more than $6,000,000 having been made available by June
30th.

The crane and excavator programs of the USSR naturally ran
into severe competition with US and British military programs as well
as with the requirements of the United States industrial expansion
programs. In addition, as in the case of other items, Soviet orders
were limited to a few types and were placed only with the largest
and best known fabricators. Production progress was consequently
extremely slow for many months. Towards the end of the Protocol
Period, however, the situation eased considerably. Deliveries during
the three months immediately preceding June 30, 1943 exceeded the
previous total. Further, schedules were so re-arranged that fulfill-
ment of most orders uncompleted as of June 30, 1943, within a few
months after the beginning of the Third Protocol Period appeared
likely.

Soviet bearings, like precision measuring tools, offered
innumerable problems and only indifferent production results were
achieved. Russian orders, for the most part, were for either very large or very small bearings, both of which were extremely tight because of domestic tank and aviation requirements. Moreover, a great many orders were for specialty bearings of types not previously produced in this country. Intensive efforts were made by the Tools Division of the War Production Board to overcome these difficulties. Generally speaking, however, this could not be done without complete success. In the restricted field to which orders were confined, the loss of Russian items was so great that nothing that could be done was capable of bringing about a substantial improvement. In many instances, a Russian contract with a particular fabricator exceeded by many times the annual capacity of that fabricator for the type of bearing in question. Under the best of conditions, a number of Russian bearing orders could not be completed in less than a half dozen or more years.

In view of this situation, it was decided before the close of the Second Protocol Period to request, in all cases of importance, from the War Production Board, to use their bearing program in such a way as to put it on a realistic basis. It was felt that if these were done, no noteworthy improvement in deliveries could be expected.

During the Second Protocol Period, a vast amount of machinery, including complete plants, for particular Soviet industries was completed, or brought near completion. Included was machinery for chemical plants, textile mills, pulp and paper mills, glass plants, aluminum mills, steel mills, etc.

Particularly worthy of mention among these was an aluminum rolling mill. This mill, which totaled $6,727,000 in value, was requisitioned in December, 1941. It was considered of the utmost importance by both the Government and the Soviet Government. Because of the loss of Soviet aluminum fabrication facilities in the vicinity of Leningrad and Kuropatowsk, together with the incapacitation of facilities located at Stupino, the USSR lacked sufficient capacity to process the relatively large amounts of ingots available from imports from the United States and Canada, and from production in the Urals.

Every effort was consequently made to expedite fabrication. Most of the items required for the mill proper were completed and shipped from plant during the first seven months of the Second Protocol Period, and all necessary electrical equipment was placed on a schedule which made possible its completion by early May, 1943. However, unavoidable delays in the requisitioning of furnaces and accessories, together with interference of domestic orders, caused delivery of these items to fall behind the remainder of the program. After an extensive survey of the situation, the War Production Board decided, therefore, to give these items an over-riding priority rating. Following this, schedules were stepped up and all of the essential equipment was made ready for export before June 30, 1943.

Also to be noted among these smaller programs were the steel rolling mill project, an extensive metallurgical program, a 3,000 kilometer signal equipment program, a group of drying plants, and an oil well drilling equipment program. While of these only the drying plants were completed before the end of the Second Protocol Period, substantial progress was made on all. Within the next few months, each is expected to be completed.

II. RAW AND SEMI-FINISHED MATERIALS

Problems involved in the materials part of the Second Protocol program were of a different nature than industrial equipment problems. Except in minor cases, the items included were standard and no serious fabrication problems had to be overcome. To meet Soviet requirements, all that was necessary was to allocate part of total US capacity or production to USSR account.

A very tight domestic supply-requirements situation made the Russian program difficult, however. Each material included was in extremely short supply, and every ton furnished was secured only through cutting some other program. Nevertheless, with rare exceptions, full Russian requirements were met.

A. ALUMINUM

Aluminum shipments during the twelve-month period exceeded by a wide margin the amount envisaged when the Second Protocol was drafted. Soviet representatives requested the supply of 66,000 short tons of aluminum ingots and fabricated aluminum (duraluminum) combined. Against this, the United States was able to offer only 33,600 short tons in addition to small quantities which had been ordered but not produced before the end of the First Protocol period.

During the course of the Second Protocol year, however, the USSR repeatedly presented additional requirements. Insofar as possible, the US met these despite the stringent domestic situation. In the first six months, extra allotments of approximately 4,000 short tons were made. It was originally anticipated that these would be offset by under-allotments during the second half of the Protocol...
period. However, in February, the Soviet Government reported that, due to the cessation of U.S. shipments, the USSR faced a dangerous shortage of aluminum. It was decided, therefore, that not only should the over-all allotments of the first six months not be made up, but that an extra 7,280 short tons should be furnished.

The result was that total shipments of aluminum during the Second Protocol period, which amounted to 47,886 short tons, exceeded the commitment by more than 11,000 short tons. These shipments together with shipments from Canada approached the average annual total aluminum production of the USSR prior to the beginning of the war. That this quantity was needed, however, was evidenced by the fact that Russian aluminum was exported as soon as made available. Stocks were negligible both during and at the end of the Second Protocol period.

Although the Protocol provided that only one-fifth of the aluminum shipped was to consist of fabricated aluminum, about one-half actually was in this form. Because during most of the year, US fabricating capacity exceeded the supply of ingot, this did not result in any particular hardship. An exception, however, was hard alloy tubing. Limited drawing capacity made even partial fulfillment of USSR requirements for hard tubing, which were unexpectedly presented in October, relatively very costly to the domestic aircraft program.

B. NICKEL

The situation in regard to nickel during the Second Protocol period was similar to that of aluminum. Soviet production was far inadequate to meet pressing requirements and the country was dependent on US-Canadian supplies for the maintenance of its alloy steel program. In addition, the USSR needed a number of products (e.g., alloy steel, molybdenum wire, cupro-nickel, etc.) which required large quantities of nickel for fabrication.

The USSR requested nickel metal at the rate of 800 short tons per month, plus the nickel needed for alloy steel and other nickel containing products being produced on its account. At that time, the nickel position of the US and Canada was such that a commitment for only six months could be offered.

This half year commitment was for 600 short tons per month, 400 of which were expected to be supplied as contained nickel and 200 as pig nickel. Shipments were made at this rate until October, 1942. At that time, Soviet representatives insisted that larger quantities of pig nickel were necessary for their steel industry. In consequence, it was decided to increase shipments during October, November and December by 100 short tons per month. Subsequently, arrangements were made to further increase December shipments by an additional 100 short tons. Thus, during the first half of the Protocol year, 1,600 short tons of pig nickel were furnished instead of the 1,200 short tons originally intended. At the same time, the nickel delivered to US mills for use in the fabrication of steel and other products on USSR account exceeded by a wide margin the 2,400 short tons set aside for this purpose.

For the last six months of the Protocol period, the nickel allotment was increased to 700 short tons per month - 350 contained and 350 metal. But once again, there were appreciable over-shipments. The result was that the over-all Second Protocol nickel commitment was exceeded by 1496 short tons, total shipments coming to 9,296 short tons.

C. COPPER

The principal copper requirement of the USSR was for copper in copper base alloys, particularly cartridge brass.

Although the Protocol commitment for copper base alloys was 109,411 short tons (the full amount requested) a production schedule was established which called for delivery of approximately 120,000 short tons. By March, 1943, however, all shipments had exceeded overseas shipments to such an extent (stocks that totaling more than 40,000 tons) that it was decided, with Soviet consent, to divert to the Armed Services 12,500 tons of capacity previously allocated to USSR account. Because of this diversion, deliveries during the Second Protocol period came to 106,000 short tons, slightly less than the commitment, instead of the 120,000 tons for which arrangements were originally made. Specific types of copper base alloys supplied were as follows:

| Copper Alloy Sheet, Strip and Discs | 88,547 |
| Copper Alloy Rods | 12,130 |
| Copper Alloy Tubes | 3,461 |
| Copper Alloy, Other | 2,090 |
| **Total** | **106,188** |

Practically all of the requisitions for copper base alloys which the USSR submitted were completed before June 30. The only notable exceptions to this were requisitions for aluminum bronze tubing. Much of the aluminum bronze tubing ordered by the USSR was tubing. Such a large aluminum bronze tubing was furnished in the USSR.
produce. Special facilities consequently had to be provided before production could begin. As a result, several contracts had to be carried over from the Second Protocol period to the Third Protocol period.

The supply of pure copper products required by the USSR, primarily copper radiator tubing, offered no great difficulty. All requisitions were completed and the commitment was met in full.

In regard to the over-all commitment for copper (i.e., copper in all forms), it should be noted that against a scheduled 134,400 tons, a total of 121,700 tons were made available. This under-shipment was due to: first, the above-mentioned diversion of 12,500 tons of copper base alloy capacity in the second quarter, 1943; second, failure to complete all cable contracts; and third, less copper was required for manufactured products than was anticipated.

D. ZINC

The zinc requirement under the Second Protocol was originally 1,500 short tons per month. Because of the loss or incapacitation of zinc facilities in the Northern Caucasus, however, the USSR requested that shipments be increased to 3,500 short tons per month. This request was met despite a relatively tight domestic supply situation, particularly insofar as high grade slab—the shape required by the USSR—was concerned.

E. MINOR NON-FERROUS METALS

Few problems were offered by the various minor non-ferrous metals required by the USSR. To meet spot requests, shipments of mercury, cadmium, tin and cobalt considerably in excess of Protocol commitments were arranged. Supply of magnesium, which United States authorities felt unable to promise when the Protocol was negotiated, was begun in January; from January through June, an average of 336 short tons per month were made available.

F. FERRO-ALLOYS

During the first six months of the Second Protocol period, ferrosilicon and ferrochrome were allocated at the rate called for by the Protocol (i.e., 784 short tons of ferrosilicon and 448 short tons of ferrochrome per month). However, virtually no overseas shipments of either material were made, and excessive stockpiles accumulated. (More than 4,000 short tons of ferrosilicon and 2,000 short tons of ferrochrome were in storage as of January 1, 1942). It was consequently decided to suspend allocations until lifting should increase. As no improvement took place, the suspension was continued until the close of the Second Protocol period.

The most ambitious part of the Second Protocol materials schedule was the steel program. Altogether 1,443,000 short tons of steel, in addition to an estimated 840,000 short tons on hand as of July 1, 1943, were scheduled to be supplied during the Second Protocol period. The 1,443,000 short tons of new production were to consist of 308,000 alloy steel, 792,000 carbon steel and 383,000 railway materials.

During the first months of the Second Protocol period, production was at approximately this scheduled rate. There was considerable doubt on the part of many within the War Production Board as to whether overseas shipments could keep pace with mill shipments of this size, but because of the possibility that shipping conditions might improve, it was felt that for the time being there should be no cut-back.

Early in the fourth quarter, 1942, however, it became apparent that an improvement was not going to take place. Steel stocks were already close to 500,000 short tons, and they were growing at an alarming rate. It was consequently decided that production had to be curtailed. In keeping with this decision, railway materials, especially rails and accessories, carbon pipe and tubing, and cold rolled sheets were gradually eliminated from mill schedules. Despite this, however, stocks continued to mount, reaching eventually a total of more than 700,000 tons. As a result, curtailment of production in the case of other carbon items was put into effect. In the end, only alloy steel and carbon specialties, such as carbon tool steel, open hearth bulb core, 1015-1020 cold finished bars, special carbon wires, wire rope, hot rolled sheets, and bar still shapes continued to be produced. Altogether, average monthly mill shipments of steel were reduced from over a hundred thousand short tons to thirty odd thousand.

For some time, the curtailment program was not extended to alloy items. Alloy stocks were appreciable, but it was felt that the need of the USSR for alloy steel was so great that it would be better to let stocks become temporarily excessive than to risk not having sufficient inventories in case shipping should improve. However, toward the end of the first quarter, 1943, it became apparent that alloy stocks were following the course of carbon stocks. In several alloy categories, therefore, reductions in production schedules were finally put into effect.

Because of these curtailments, total production of steel during the Second Protocol period came to little more than half.
(799,000 short tons) of the 1,443,000 short tons called for by the Protocol. Specific types produced were:

<table>
<thead>
<tr>
<th>Type</th>
<th>Short Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alloy Steel</td>
<td>203,000</td>
</tr>
<tr>
<td>Carbon Specialties</td>
<td>141,000</td>
</tr>
<tr>
<td>Other Carbon Products</td>
<td>256,000</td>
</tr>
<tr>
<td>Railway Materials</td>
<td>167,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>799,000</strong></td>
</tr>
</tbody>
</table>

It should be noted that due to new urgent requirements of the USSR for rails and accessories, production of these items was renewed in the last month of the Protocol period. Soviet representatives stated that all existing stocks as well as all new production would be transported to the USSR regardless.

**B. CHEMICALS**

Chemicals promised under the Second Protocol totaled 119,000 short tons, exclusive of toluol and TNT for which the War Department was directly responsible. Of the twenty-three major items included, full commitments were met or exceeded in every case except two. Altogether, 137,000 short tons were made available against the total commitment for 119,000.

Chemical stocks, like steel stocks, grew to very large proportions during the Protocol period because of shipping limitations. By June, 1943, they amounted to more than 70,000 short tons. Because of this, the possibility of suspending allocations was seriously considered, but except in one or two cases, no action was taken prior to June 30, 1943. For the Third Protocol period, however, it is felt that stocks must be reduced either through diversions or increased liftings before allocations at the full rate called for by the new Protocol should be made.

**CABLE**

The Second Protocol cable program was one of the most difficult undertaken. Not only were very large quantities (more than 110,000 short ton) called for, but the types and sizes involved were in many cases extremely difficult. Further, many requisitions were not cleared until December and January. Through energetic measures on the part of the Copper Division and Treasury Procurement, however, the difficulties resulting from these factors were largely overcome. Total commitments were not fulfilled by an appreciable margin, but schedules were worked out which insured completion of all contracts within a few weeks after the close of the Second Protocol period.

Despite the failure to deliver as much cable as had been promised, far more was made available than the USSR was able to lift. As of June 30, 1943, more than 43,000 short tons of the approximately 72,000 short tons which had been shipped from plant were held in warehouses alone. Additional quantities were at sea or in transit to the USSR.

**J. OTHER MATERIALS**

In the case of the various miscellaneous materials included in the Second Protocol schedule, production was more than ample to meet shipping requirements. In some cases, full commitments were not met, but with one or two exceptions, this was because of excessive stocks or the failure of Soviet representatives to submit requisitions sufficiently early to make possible production of the promised quantities. In several instances, the full quantity called for by the Protocol was never requisitioned.
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Field Available at Mill in U.S.S.R.</th>
<th>Made Available at Mill in U.S.S.R.</th>
<th>Percentage of 2nd Protocol Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Sch. (Prot. Sch. = 100)</th>
<th>Balance to be Produced as of June 1, 1943</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminum (Ingot and Duraluminum)</td>
<td>S.T.</td>
<td>36,690</td>
<td>43,406</td>
<td>118</td>
<td>128</td>
<td>(6,716 Excess)</td>
<td>Non ferrous Metals</td>
</tr>
<tr>
<td>Nickel (Metal and Contained)</td>
<td>S.T.</td>
<td>7,800</td>
<td>8,580</td>
<td>110</td>
<td>120</td>
<td>(780 Excess)</td>
<td></td>
</tr>
<tr>
<td>Molybdenum</td>
<td>S.T.</td>
<td>4,000</td>
<td>4,716</td>
<td>100</td>
<td>109</td>
<td>(216 Excess)</td>
<td></td>
</tr>
<tr>
<td>Copper (Metal and Contained)</td>
<td>S.T.</td>
<td>(139,408)</td>
<td>(116,082)</td>
<td>(86)</td>
<td>(91)</td>
<td>(18,318 Excess)</td>
<td></td>
</tr>
<tr>
<td>Rolled Copper (Copper Base Alloys Only)</td>
<td>S.T.</td>
<td>109,421</td>
<td>103,380</td>
<td>95</td>
<td>103</td>
<td>5,931</td>
<td></td>
</tr>
<tr>
<td>Magnesium</td>
<td>S.T.</td>
<td>0</td>
<td>1,680</td>
<td>-</td>
<td>-</td>
<td>(1,680 Excess)</td>
<td></td>
</tr>
<tr>
<td>Zinc</td>
<td>S.T.</td>
<td>29,000</td>
<td>39,618</td>
<td>119</td>
<td>129</td>
<td>(5,618 Excess)</td>
<td></td>
</tr>
<tr>
<td>Copper Goots and Tubes</td>
<td>S.T.</td>
<td>15,248</td>
<td>15,913</td>
<td>102</td>
<td>111</td>
<td>(665 Excess)</td>
<td>Deliveries of all non-ferrous metals, which are high on the Soviet priority shipping list, are ahead of Protocol requirements.</td>
</tr>
<tr>
<td>Nickel-Chrome Wire</td>
<td>S.T.</td>
<td>558</td>
<td>505</td>
<td>94</td>
<td>102</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Mercury</td>
<td>S.T.</td>
<td>300</td>
<td>896</td>
<td>299</td>
<td>395</td>
<td>(996 Excess)</td>
<td></td>
</tr>
<tr>
<td>Lead</td>
<td>S.T.</td>
<td>8</td>
<td>41</td>
<td>113</td>
<td>139</td>
<td>(33 Excess)</td>
<td></td>
</tr>
<tr>
<td>Tin</td>
<td>S.T.</td>
<td>2</td>
<td>2</td>
<td>100</td>
<td>109</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Palladium</td>
<td>S.T.</td>
<td>55</td>
<td>91</td>
<td>102</td>
<td>111</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Tin</td>
<td>S.T.</td>
<td>50</td>
<td>53</td>
<td>100</td>
<td>109</td>
<td>0</td>
<td>(1 Excess)</td>
</tr>
<tr>
<td>Nickel</td>
<td>S.T.</td>
<td>1</td>
<td>2</td>
<td>200</td>
<td>217</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Rhenium Metal</td>
<td>S.T.</td>
<td>41</td>
<td>105</td>
<td>2,625</td>
<td>2,453</td>
<td>(101 Excess)</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Unit</td>
<td>1st Protocol Production Program</td>
<td>Made Available at Mill in U.S.A. May 1, 1943 - May 31, 1943</td>
<td>Made Available at Mill in U.S.A. July 1, 1942 - May 31, 1943</td>
<td>Percent of 2nd Prot. Program Completed as of June 1, 1943</td>
<td>Ratio of Actual Deliveries to Prot. Schedule (Prot. Schedule - 100)</td>
<td>Balance to be Produced as of June 1, 1943 To Satisfy 2nd Protocol Program</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>-------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>91</td>
<td>Ca</td>
<td>S.T.</td>
<td>100</td>
<td>12.5</td>
<td>187.5</td>
<td>187</td>
<td>203</td>
</tr>
<tr>
<td>94</td>
<td>Cobalt</td>
<td>S.T.</td>
<td>164</td>
<td>0</td>
<td>168</td>
<td>117</td>
<td>127</td>
</tr>
<tr>
<td>Total Non-Ferrous Metals excluding item 6 (Copper)</td>
<td>S.T.</td>
<td>203,293</td>
<td>14,960.5</td>
<td>213,404.5</td>
<td>105</td>
<td>114</td>
<td>(10,151 Excess)</td>
</tr>
</tbody>
</table>

**Ferro-Alloys**

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>1st Protocol Production Program</th>
<th>Made Available at Mill in U.S.A. May 1, 1943 - May 31, 1943</th>
<th>Made Available at Mill in U.S.A. July 1, 1942 - May 31, 1943</th>
<th>Percent of 2nd Prot. Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Schedule (Prot. Schedule - 100)</th>
<th>Balance to be Produced as of June 1, 1943 To Satisfy 2nd Protocol Program</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Ferro-silicon</td>
<td>S.T.</td>
<td>9,408</td>
<td>0</td>
<td>5,660</td>
<td>54</td>
<td>59</td>
<td>4,946</td>
</tr>
<tr>
<td>35</td>
<td>Ferro-chrome</td>
<td>S.T.</td>
<td>5,376</td>
<td>45</td>
<td>2,416</td>
<td>49</td>
<td>53</td>
<td>2,758</td>
</tr>
<tr>
<td>85</td>
<td>Ferro-phosphorus</td>
<td>S.T.</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>100</td>
<td>109</td>
<td>0</td>
</tr>
<tr>
<td>85</td>
<td>Ferro-mercury</td>
<td>S.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>100</td>
<td>109</td>
<td>0</td>
</tr>
<tr>
<td>87</td>
<td>Ferro-tungsten</td>
<td>S.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>100</td>
<td>109</td>
<td>0</td>
</tr>
<tr>
<td>Total Ferro-Alloys</td>
<td>S.T.</td>
<td>14,792</td>
<td>45</td>
<td>7,660</td>
<td>52</td>
<td>57</td>
<td>7,104</td>
<td></td>
</tr>
</tbody>
</table>

**High Priority Alloy Steel**

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>1st Protocol Production Program</th>
<th>Made Available at Mill in U.S.A. May 1, 1943 - May 31, 1943</th>
<th>Made Available at Mill in U.S.A. July 1, 1942 - May 31, 1943</th>
<th>Percent of 2nd Prot. Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Schedule (Prot. Schedule - 100)</th>
<th>Balance to be Produced as of June 1, 1943 To Satisfy 2nd Protocol Program</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Polished Drill Rods</td>
<td>S.T.</td>
<td>60</td>
<td>0</td>
<td>63</td>
<td>105</td>
<td>114</td>
<td>(1 Excess) (4 Excess)</td>
</tr>
<tr>
<td>35</td>
<td>High Speed</td>
<td>S.T.</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>109</td>
<td>119</td>
<td>(6 Excess)</td>
</tr>
<tr>
<td>17</td>
<td>High Speed Tool Steel</td>
<td>S.T.</td>
<td>3,400</td>
<td>212</td>
<td>3,383</td>
<td>95</td>
<td>104</td>
<td>157</td>
</tr>
<tr>
<td>18</td>
<td>Tool Steel</td>
<td>S.T.</td>
<td>700</td>
<td>63</td>
<td>643</td>
<td>93</td>
<td>101</td>
<td>42</td>
</tr>
<tr>
<td>35</td>
<td>Alloy X16</td>
<td>S.T.</td>
<td>390</td>
<td>56</td>
<td>334</td>
<td>93</td>
<td>101</td>
<td>44</td>
</tr>
<tr>
<td>0</td>
<td>Alloy X16N</td>
<td>S.T.</td>
<td>6,100</td>
<td>587</td>
<td>5,913</td>
<td>86</td>
<td>96</td>
<td>602</td>
</tr>
<tr>
<td>0</td>
<td>Alloy - Other</td>
<td>S.T.</td>
<td>6,100</td>
<td>587</td>
<td>5,913</td>
<td>86</td>
<td>96</td>
<td>602</td>
</tr>
<tr>
<td>Proc. No.</td>
<td>Item</td>
<td>Unit</td>
<td>1st Protocol Production Program</td>
<td>Made Available at Mill in U.S.A. May 1, 1943</td>
<td>Made Available at Mill in U.S.A. July 1, 1943</td>
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<td>Comments</td>
</tr>
<tr>
<td>----------</td>
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<td>---------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------------------------</td>
<td>----------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>19</td>
<td>Cold Finished Bars</td>
<td>S.T.</td>
<td>10,635</td>
<td>625</td>
<td>9,376</td>
<td>68</td>
<td>96</td>
<td>1,267</td>
</tr>
<tr>
<td>20</td>
<td>Electric Furnace or O.E.</td>
<td>S.T.</td>
<td>95,000</td>
<td>5,666</td>
<td>68,063</td>
<td>93</td>
<td>101</td>
<td>5,937</td>
</tr>
<tr>
<td>24</td>
<td>Stainless Steel</td>
<td>S.T.</td>
<td>2,200</td>
<td>1,079</td>
<td>1,982</td>
<td>90</td>
<td>98</td>
<td>67</td>
</tr>
<tr>
<td>25</td>
<td>Steel Wire</td>
<td>S.T.</td>
<td>1,124</td>
<td>711</td>
<td>997</td>
<td>66</td>
<td>77</td>
<td>405</td>
</tr>
<tr>
<td>27</td>
<td>Steel Alloy Tubes</td>
<td>S.T.</td>
<td>2,000</td>
<td>90</td>
<td>666</td>
<td>83</td>
<td>90</td>
<td>433</td>
</tr>
<tr>
<td>28</td>
<td>Stainless Wire</td>
<td>S.T.</td>
<td>2,000</td>
<td>86</td>
<td>1,931</td>
<td>97</td>
<td>106</td>
<td>66</td>
</tr>
<tr>
<td>29</td>
<td>Other Alloy Wire</td>
<td>S.T.</td>
<td>2,600</td>
<td>217</td>
<td>2,768</td>
<td>106</td>
<td>116</td>
<td>(168 Excess)</td>
</tr>
<tr>
<td></td>
<td>Total High Priority Alloy Steel</td>
<td>S.T.</td>
<td>159,148</td>
<td>10,595</td>
<td>133,096</td>
<td>83</td>
<td>90</td>
<td>26,388</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OTHER ALLOY STEEL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Armor Plates</td>
<td>S.T.</td>
<td>15,340</td>
<td>0</td>
<td>839</td>
<td>6</td>
<td>7</td>
<td>12,601</td>
</tr>
<tr>
<td>21</td>
<td>Cr-St-Ni Billets</td>
<td>S.T.</td>
<td>95,000</td>
<td>0</td>
<td>99,404</td>
<td>63</td>
<td>69</td>
<td>5,606</td>
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<tr>
<td></td>
<td>Total Other Alloy Steel</td>
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<td>104,340</td>
<td>0</td>
<td>103,333</td>
<td>56</td>
<td>61</td>
<td>4,107</td>
</tr>
</tbody>
</table>

**HIGH PRIORITY ALLOY STEEL (Continued)**

See preceding page for comments.

The commitment for armor plate has been cancelled at the request of the U.S.A.E. Deliveries of shot steel (railway billets) continue under suspension, with Soviet consent, because of excessive seaboard stocks.
## HIGH PRIORITY CARBON STEEL

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Percent of Prod. Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Sch. (Prot. Sch. = 100)</th>
<th>Balance to be Produced as of June 1, 1943</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>S.T.</td>
<td>20,000</td>
<td>450</td>
<td>18,491</td>
<td>92</td>
<td>100</td>
<td>1,509</td>
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<tr>
<td>15</td>
<td>S.T.</td>
<td>2,368</td>
<td>2,731</td>
<td>73</td>
<td>73</td>
<td>3,269</td>
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</tr>
<tr>
<td>25</td>
<td>S.T.</td>
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<td>12,288</td>
<td>61</td>
<td>66</td>
<td>7,112</td>
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<tr>
<td>26</td>
<td>S.T.</td>
<td>2,399</td>
<td>865</td>
<td>87</td>
<td>87</td>
<td>601</td>
<td></td>
</tr>
<tr>
<td>31A</td>
<td>S.T.</td>
<td>2,399</td>
<td>865</td>
<td>87</td>
<td>87</td>
<td>601</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>S.T.</td>
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<td>126,796</td>
<td>99</td>
<td>108</td>
<td>1,187</td>
<td></td>
</tr>
</tbody>
</table>

Total deliveries of high priority carbon steel are ahead of Protocol requirements. Several particular types are behind, however, because of difficulties involved in fabrication.
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Made Available at Mill in U.S.</th>
<th>Made Available at Mill in U.S.</th>
<th>Percent of 2nd Prot. Program Completed as of June 1, 1943</th>
<th>Balance to be Produced as of June 1, 1943 To Satisfy 2nd Protocol Prod. Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cold Finished Bars A</td>
<td>S.T.</td>
<td>60,000</td>
<td>0</td>
<td>25,350</td>
<td>42</td>
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<tr>
<td>Cold Rolled Sheets A</td>
<td>S.T.</td>
<td>75,000</td>
<td>0</td>
<td>13,417</td>
<td>15</td>
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<tr>
<td>Cold Rolled Strip A</td>
<td>S.T.</td>
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<td>1,630</td>
<td>31,266</td>
<td>52</td>
</tr>
<tr>
<td>Timplate</td>
<td>S.T.</td>
<td>67,000</td>
<td>124</td>
<td>39,772</td>
<td>52</td>
</tr>
<tr>
<td>Steel Wire</td>
<td>S.T.</td>
<td>20,000</td>
<td>53</td>
<td>10,147</td>
<td>71</td>
</tr>
<tr>
<td>Ropes Wire</td>
<td>S.T.</td>
<td>4,000</td>
<td>9</td>
<td>3,175</td>
<td>78</td>
</tr>
<tr>
<td>Electric Welding Wire</td>
<td>S.T.</td>
<td>20,000</td>
<td>0</td>
<td>13,666</td>
<td>65</td>
</tr>
<tr>
<td>Galvanized Tel. &amp; Tel. Wire</td>
<td>S.T.</td>
<td>6,000</td>
<td>11</td>
<td>5,692</td>
<td>76</td>
</tr>
<tr>
<td>Low Carbon</td>
<td>S.T.</td>
<td>40,000</td>
<td>0</td>
<td>29,857</td>
<td>72</td>
</tr>
<tr>
<td>Barbed Wire B</td>
<td>S.T.</td>
<td>2,500</td>
<td>0</td>
<td>1,755</td>
<td>74</td>
</tr>
<tr>
<td>Staples</td>
<td>S.T.</td>
<td>20,000</td>
<td>0</td>
<td>10,074</td>
<td>65</td>
</tr>
<tr>
<td>Pipe and Tubing</td>
<td>S.T.</td>
<td>6,000</td>
<td>59</td>
<td>3,276</td>
<td>73</td>
</tr>
<tr>
<td>Welding Press and Mechanical</td>
<td>S.T.</td>
<td>12,000</td>
<td>0</td>
<td>10,231</td>
<td>22</td>
</tr>
<tr>
<td>Seamless Press and Mechanical</td>
<td>S.T.</td>
<td>6,000</td>
<td>289</td>
<td>3,711</td>
<td>62</td>
</tr>
<tr>
<td>Cold Drawn Press and Mechanical</td>
<td>S.T.</td>
<td>24,000</td>
<td>0</td>
<td>18,572</td>
<td>76</td>
</tr>
<tr>
<td>Electric Weld Oiling</td>
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<td>0</td>
<td>10,074</td>
<td>65</td>
</tr>
<tr>
<td>Electric Weld Line Pipe</td>
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<td>35,000</td>
<td>30</td>
<td>27,156</td>
<td>77</td>
</tr>
<tr>
<td>Seamless Casting</td>
<td>S.T.</td>
<td>15,000</td>
<td>0</td>
<td>10,074</td>
<td>65</td>
</tr>
<tr>
<td>Seamless Line Pipe</td>
<td>S.T.</td>
<td>40,000</td>
<td>114</td>
<td>26,062</td>
<td>65</td>
</tr>
<tr>
<td>Seamless Cast Pipe</td>
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<td>15,000</td>
<td>0</td>
<td>7,538</td>
<td>50</td>
</tr>
<tr>
<td>Seamless Oil Well Tubing</td>
<td>S.T.</td>
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<td>0</td>
<td>7,538</td>
<td>50</td>
</tr>
<tr>
<td>Tool Joints</td>
<td>S.T.</td>
<td>1,000</td>
<td>0</td>
<td>3,941</td>
<td>65</td>
</tr>
<tr>
<td>Hot Rolled</td>
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<td>0</td>
<td>2,660</td>
<td>53</td>
</tr>
<tr>
<td>Galvanized Roofing Sheets</td>
<td>S.T.</td>
<td>20,000</td>
<td>0</td>
<td>10,074</td>
<td>50</td>
</tr>
<tr>
<td>Plates</td>
<td>S.T.</td>
<td>13,000</td>
<td>105</td>
<td>9,907</td>
<td>75</td>
</tr>
<tr>
<td>Structural Shapes</td>
<td>S.T.</td>
<td>11,000</td>
<td>0</td>
<td>10,074</td>
<td>95</td>
</tr>
<tr>
<td>Strut</td>
<td>S.T.</td>
<td>11,000</td>
<td>0</td>
<td>10,074</td>
<td>95</td>
</tr>
<tr>
<td>Tower Plates and Long Tubes</td>
<td>S.T.</td>
<td>4,000</td>
<td>0</td>
<td>3,995</td>
<td>95</td>
</tr>
<tr>
<td>Bolts, Nuts, Rivets, Chains &amp; Screws</td>
<td>S.T.</td>
<td>6,000</td>
<td>277</td>
<td>2,973</td>
<td>50</td>
</tr>
<tr>
<td>Nails</td>
<td>S.T.</td>
<td>1,000</td>
<td>395</td>
<td>5,910</td>
<td>74</td>
</tr>
<tr>
<td>Total Other Carbon Steel</td>
<td>S.T.</td>
<td>663,800</td>
<td>3,219</td>
<td>251,016</td>
<td>62</td>
</tr>
</tbody>
</table>

Except for a few specialty orders, delivery of items included in this category remain under suspension because of excessive seaboard stocks.

SECRET
Business Enterprise Data, Summary No. 1

Regraded Unclassified
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Protocol Production Program</th>
<th>Made Available at Mill in U.S.A. May 1, 1943</th>
<th>Made Available at Mill in U.S.A. July 1, 1943</th>
<th>Percent of Out Prot. Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)</th>
<th>Balance to be Produced as of June 1, 1943 To Satisfy 2nd Protocol Prod. Program</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1/</td>
<td>2/</td>
<td>3/</td>
<td>4/</td>
<td>5/</td>
<td>6/</td>
<td></td>
</tr>
<tr>
<td>101</td>
<td>Rails</td>
<td>S.T.</td>
<td>175,000</td>
<td>237</td>
<td>60,064</td>
<td>34</td>
<td>37</td>
<td>114,996</td>
</tr>
<tr>
<td>101A</td>
<td>Accessories</td>
<td>S.T.</td>
<td>80,000</td>
<td>29</td>
<td>35,966</td>
<td>19</td>
<td>21</td>
<td>49,504</td>
</tr>
<tr>
<td>102</td>
<td>Mounted Sets of Wheels &amp; Axles</td>
<td>S.T.</td>
<td>36,000</td>
<td>1,714</td>
<td>25,191</td>
<td>65</td>
<td>71</td>
<td>12,589</td>
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<tr>
<td>103</td>
<td>Car Axles</td>
<td>S.T.</td>
<td>60,000</td>
<td>0</td>
<td>33,155</td>
<td>55</td>
<td>60</td>
<td>26,845</td>
</tr>
<tr>
<td>104</td>
<td>Locomotive Car Wheel Tires</td>
<td>S.T.</td>
<td>13,500</td>
<td>464</td>
<td>12,787</td>
<td>95</td>
<td>104</td>
<td>713</td>
</tr>
<tr>
<td>105</td>
<td>Rolled Steel Car Wheels</td>
<td>S.T.</td>
<td>18,000</td>
<td>0</td>
<td>7,738</td>
<td>43</td>
<td>47</td>
<td>10,262</td>
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<tr>
<td>107</td>
<td>Steel Locomotive Axles</td>
<td>S.T.</td>
<td>295</td>
<td>0</td>
<td>293</td>
<td>99</td>
<td>108</td>
<td>2</td>
</tr>
<tr>
<td>108</td>
<td>Electric Locomotive Axles</td>
<td>S.T.</td>
<td>300</td>
<td>0</td>
<td>222</td>
<td>74</td>
<td>81</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>Total Railroad Materials</td>
<td>S.T.</td>
<td>343,055</td>
<td>2,464</td>
<td>153,126</td>
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<td>44</td>
<td>209,929</td>
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<tr>
<td></td>
<td></td>
<td>1/</td>
<td>2/</td>
<td>3/</td>
<td>4/</td>
<td>5/</td>
<td>6/</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>Phenol</td>
<td>S.T.</td>
<td>1,000</td>
<td>1,078</td>
<td>1,140</td>
<td>104</td>
<td>113</td>
<td>(400 Excess)</td>
</tr>
<tr>
<td>61</td>
<td>Methylene Glycol</td>
<td>S.T.</td>
<td>2,400</td>
<td>0</td>
<td>2,400</td>
<td>100</td>
<td>109</td>
<td>0</td>
</tr>
<tr>
<td>62</td>
<td>Sodium Bromide</td>
<td>S.T.</td>
<td>1,800</td>
<td>0</td>
<td>1,804</td>
<td>100</td>
<td>109</td>
<td>(48 Excess)</td>
</tr>
<tr>
<td>63</td>
<td>Phosphorus</td>
<td>S.T.</td>
<td>2,400</td>
<td>0</td>
<td>2,461</td>
<td>103</td>
<td>112</td>
<td>(61 Excess)</td>
</tr>
<tr>
<td>64</td>
<td>Diethyl Phthalate</td>
<td>S.T.</td>
<td>3,600</td>
<td>169</td>
<td>3,299</td>
<td>90</td>
<td>96</td>
<td>371</td>
</tr>
<tr>
<td>65</td>
<td>Dimethyl Carbonate</td>
<td>S.T.</td>
<td>3,000</td>
<td>0</td>
<td>3,076</td>
<td>103</td>
<td>112</td>
<td>(76 Excess)</td>
</tr>
</tbody>
</table>

Production of rails and accessories is being resumed in June. Other items, except a few specialties, continue under suspension because of excessive seaboard stocks.

Additional quantities of ethylene glycol made available are included with item 61A "Other Chemicals."

Deliveries of all chemicals, except dibutyl phthalate, are considerably ahead of Protocol requirements. Full commitments have already been completed in most cases.

SECRET
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>2nd Protocol Production Program</th>
<th>Made Available at Mill in U.S.A. May 1, 1963</th>
<th>Made Available at Mill in U.S.A. July 1, 1963</th>
<th>Percent of 2nd Prot. Program Completed as of June 1, 1963</th>
<th>Ratio of Actual Deliveries to Prot. Sched. as of June 1, 1963</th>
<th>Balance to be Produced as of June 1, 1963 To Satisfy 2nd Prot. Prot. Program</th>
<th>Comments</th>
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<tbody>
<tr>
<td>94</td>
<td>S.T.</td>
<td>1,800</td>
<td>130</td>
<td>1,635</td>
<td>91</td>
<td>99</td>
<td>169</td>
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<tr>
<td>94</td>
<td>S.T.</td>
<td>3,762</td>
<td>232</td>
<td>3,762</td>
<td>100</td>
<td>109</td>
<td>0</td>
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<tr>
<td>95</td>
<td>S.T.</td>
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<td>994</td>
<td>11,968</td>
<td>95</td>
<td>103</td>
<td>582</td>
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<tr>
<td>96</td>
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<td>7,354</td>
<td>160</td>
<td>174</td>
<td>(2,75% Excess)</td>
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<tr>
<td>98</td>
<td>S.T.</td>
<td>4,800</td>
<td>597</td>
<td>4,800</td>
<td>100</td>
<td>109</td>
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<tr>
<td>90</td>
<td>S.T.</td>
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<td>0</td>
<td>3,600</td>
<td>100</td>
<td>109</td>
<td>0</td>
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<tr>
<td>91</td>
<td>S.T.</td>
<td>3,600</td>
<td>0</td>
<td>3,600</td>
<td>100</td>
<td>109</td>
<td>0</td>
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<tr>
<td>92</td>
<td>S.T.</td>
<td>100</td>
<td>85</td>
<td>605</td>
<td>108</td>
<td>117</td>
<td>(8% Excess)</td>
<td></td>
</tr>
<tr>
<td>93</td>
<td>S.T.</td>
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<td>0</td>
<td>120</td>
<td>100</td>
<td>109</td>
<td>0</td>
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<tr>
<td>94</td>
<td>S.T.</td>
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<td>20</td>
<td>275</td>
<td>92</td>
<td>100</td>
<td>25</td>
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<tr>
<td>95</td>
<td>S.T.</td>
<td>95</td>
<td>4</td>
<td>98</td>
<td>100</td>
<td>109</td>
<td>0</td>
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<tr>
<td>96</td>
<td>S.T.</td>
<td>6</td>
<td>0</td>
<td>6</td>
<td>100</td>
<td>109</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>97</td>
<td>S.T.</td>
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<td>0</td>
<td>3</td>
<td>100</td>
<td>109</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>98</td>
<td>S.T.</td>
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<td>0</td>
<td>15</td>
<td>100</td>
<td>109</td>
<td>0</td>
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</tr>
<tr>
<td>60</td>
<td>S.T.</td>
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<td>0</td>
<td>1,600</td>
<td>100</td>
<td>109</td>
<td>0</td>
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</tr>
<tr>
<td>61</td>
<td>S.T.</td>
<td>0</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(9% Excess)</td>
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<tr>
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<td>60,000</td>
<td>6,394</td>
<td>57,989</td>
<td>97</td>
<td>105</td>
<td>2,011</td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>S.T.</td>
<td>118,708</td>
<td>10,352</td>
<td>118,873</td>
<td>100</td>
<td>109</td>
<td>(10% Excess)</td>
<td></td>
</tr>
</tbody>
</table>

See preceding page for comments.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item</th>
<th>Unit</th>
<th>2nd Protocol Production Program</th>
<th>Made Available at Mill in U.S.A. May 1, 1943 - May 31, 1943</th>
<th>Made Available at Mill in U.S.A. July 1, 1943 - May 31, 1943</th>
<th>Percent of 2nd Protocol Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)</th>
<th>Balance to be Produced</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Hard Alloys &amp; Small Cutting Tools</td>
<td>$</td>
<td>22,400,000</td>
<td>1,306,374</td>
<td>16,857,923</td>
<td>73</td>
<td>79</td>
<td>6,136,777</td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>Machine Tools</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>Electric Furnaces</td>
<td>$</td>
<td>150,000,000</td>
<td>28,805,679</td>
<td>185,668,828</td>
<td>124</td>
<td>135</td>
<td>(35,668,828 Surplus)</td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>Forging Presses &amp; Hammerers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>Various Industrial Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>Abrasives</td>
<td>$</td>
<td>4,000,000</td>
<td>185,128</td>
<td>3,664,630</td>
<td>97</td>
<td>105</td>
<td>135,370</td>
<td></td>
</tr>
<tr>
<td>Total Industrial Equipment</td>
<td>$</td>
<td>176,400,000</td>
<td>30,797,182</td>
<td>205,798,641</td>
<td>117</td>
<td>127</td>
<td>(29,390,681 Surplus)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Industrial Equipment**

Receives for small cutting tools, deliveries of industrial equipment are considerably ahead of Protocol requirements. In the case of small cutting tools, the full amount allowed by the Protocol has not been requisitioned. In addition, deliveries, though improving, are not entirely satisfactory.

**Power Program**

The Second Protocol Power Program was initiated in May, 1943, but it was only in October, 1943 that the program was approved and engineering work began. Because of the time required for fabrication, deliveries against the program have been appreciable only during the past two months. From this point on, a very great acceleration is anticipated. No commitment figure is given in this table because it was never expected that the entire program would be completed during the Second Protocol period, and because the program was set up in terms of tons rather than in terms of dollar value. The value of requisitions included in the program totals approximately $65,000,000.
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>% at Mill in U.S.A.</th>
<th>Actual at Mill in U.S.A.</th>
<th>% Actual Delivered to Prot. Schd. on Prot. Prod. Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Marine Cable</td>
<td>Kms</td>
<td>1,421</td>
<td>137</td>
<td>1,171</td>
</tr>
<tr>
<td><strong>2.</strong> Submarine Cable</td>
<td>Kms</td>
<td>740</td>
<td>95</td>
<td>840</td>
</tr>
<tr>
<td><strong>Total Marine &amp; Submarine Cable</strong></td>
<td>Kms</td>
<td>2,161</td>
<td>232</td>
<td>2,011</td>
</tr>
<tr>
<td><strong>3.</strong> Electric Power Cable</td>
<td>S.T.</td>
<td>52,666</td>
<td>7,568</td>
<td>77,695</td>
</tr>
<tr>
<td><strong>4.</strong> Misc. Copper Cable &amp; Wire</td>
<td>S.T.</td>
<td>52,386</td>
<td>5,934</td>
<td>51,316</td>
</tr>
<tr>
<td><strong>Total Power &amp; Other Cable</strong></td>
<td>S.T.</td>
<td>105,052</td>
<td>13,502</td>
<td>99,602</td>
</tr>
<tr>
<td><strong>5.</strong> Shoe Leather</td>
<td>S.T.</td>
<td>18,670</td>
<td>1,917</td>
<td>9,879</td>
</tr>
<tr>
<td><strong>6.</strong> Army Boots</td>
<td>Dz.</td>
<td>240,000</td>
<td>192,991</td>
<td>191,596</td>
</tr>
<tr>
<td><strong>7.</strong> Army Cloth</td>
<td>Dz.</td>
<td>18,000,000</td>
<td>1,186,618</td>
<td>16,098,914</td>
</tr>
<tr>
<td><strong>8.</strong> Petroleum Products</td>
<td>S.T.</td>
<td>260,000</td>
<td>18,793</td>
<td>180,596</td>
</tr>
<tr>
<td><strong>9.</strong> Webbing</td>
<td>Dz.</td>
<td>36,000,000</td>
<td>3,906,816</td>
<td>30,666,890</td>
</tr>
</tbody>
</table>

Comments:
- Deliveries are according to schedule.
- Figures on deliveries of power cable have been revised and corrected since the last report. Anticipated accelerations are being realized, and it now appears certain that despite the size of commitments and the interest with which requirements were submitted and contracts placed, Protocols requirements will in large measure be met by June 30.
- Delays in clarifying the leather commitment and resultant delays in placing contracts have kept leather deliveries behind Protocol requirements. Deliveries of boots and cloth are satisfactory.
- Delivery figures are actual export figures. Shipping conditions, rather than production conditions, have governed performance.
- Webbing deliveries have been slightly behind Protocol requirements because of limited manufacturing facilities. A recently arranged conversion of rug mills is currently bringing about an acceleration, however.
### MISCELLANEOUS MATERIALS ITEMS (Continued)

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>1st Protocol at Mill in U.S.A. May 1, 1943</th>
<th>Made Available July 1, 1943</th>
<th>Percent of Actual Deliveries to as of June 1, 1943 Prod. Sched. (Prod. Sched. = 100)</th>
<th>Balance to be Produced as of June 1, 1943</th>
<th>To Satisfy 2nd Protocol Prod. Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>Tarpalins</td>
<td>8,000,000</td>
<td>966,000</td>
<td>6,385,620</td>
<td>80</td>
<td>67</td>
</tr>
</tbody>
</table>

### MISCELLANEOUS EQUIPMENT ITEMS

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>1st Protocol at Mill in U.S.A. May 1, 1943</th>
<th>Made Available July 1, 1943</th>
<th>Percent of Actual Deliveries to as of June 1, 1943 Prod. Sched. (Prod. Sched. = 100)</th>
<th>Balance to be Produced as of June 1, 1943</th>
<th>To Satisfy 2nd Protocol Prod. Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>Graphite Electrodes</td>
<td>5,000</td>
<td>1,137</td>
<td>6,673</td>
<td>114</td>
<td>194</td>
</tr>
<tr>
<td>69</td>
<td>Bearings</td>
<td>500,000</td>
<td>3,599,569</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The requisition for tarpalins, placed last month, is scheduled for completion by June 30.

Delays in substantiation of requisitions have made it necessary to schedule completion of orders until August, 1943. Soviet representatives have stated that they understand the circumstances responsible for the delay and do not anticipate full satisfaction of the Protocol commitment until after the end of the Second Protocol period.

All requisitions have been completed.

The entire Protocol commitment has been satisfied. Additional requisitions are being accepted to meet the needs of the Soviet fishing industry.

Protocol requirements are scheduled to be satisfied before June 30. In addition, the supply of 633 3.75" of carbon electrodes during the remainder of the Second Protocol period has been authorized.

There is no firm Protocol commitment, but large numbers of requisitions have been accepted. Because many orders are for off-standard items, delivery has been unsatisfactory. It is hoped that, through the substitution of new requisitions which call for types of bearings which can be easily fitted into U.S. production schedules, the situation will be improved.
### MISCELLANEOUS EQUIPMENT ITEMS (Continued)

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Unit</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Made Available at Mill in U.K.</th>
<th>Percent of 3rd Prot. Program Completed as of June 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)</th>
<th>Balance to be Produced as of June 1, 1943</th>
<th>To Satisfy 2nd Protocol Prod. Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>Balls &amp; Rollers</td>
<td>$</td>
<td>39,966</td>
<td>500,294</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>74</td>
<td>Tires, Tubes, Other Rubber Products (Rubber Content)</td>
<td>S.T.</td>
<td>60,330</td>
<td>3,633</td>
<td>22,775</td>
<td>56</td>
<td>61</td>
<td>17,595</td>
</tr>
<tr>
<td>79</td>
<td>High Pressure Hose</td>
<td>S.T.</td>
<td>404</td>
<td>35</td>
<td>245</td>
<td>88</td>
<td>103</td>
<td></td>
</tr>
<tr>
<td>81</td>
<td>Shock Absorber Cord</td>
<td>S.T.</td>
<td>64</td>
<td>2</td>
<td>41</td>
<td>64</td>
<td>70</td>
<td>20</td>
</tr>
<tr>
<td>82</td>
<td>Metallic Cloth &amp; Screen</td>
<td>$</td>
<td>1,000,000</td>
<td>91,665</td>
<td>1,096,666</td>
<td>126</td>
<td>137</td>
<td>(296,666餘)</td>
</tr>
</tbody>
</table>

Deliveries are satisfactory.

Delivery figures are for rubber content of tires and tubes procured by the Treasury Department only.

Deliveries of both high pressure hose and shock absorber cord represent a relatively large percentage of our total production.

The production program shown is a translation calculated by the Soviet Government Purchasing Commission of the Protocol commitments into dollar value. Deliveries are satisfactory.

---

1/ Second Protocol production programs have been adjusted (a) to take account of the modification of steel requirements under the 2nd Protocol worked out by the Steel Division, W.P.M., and representatives of Government Purchasing Commission of the Soviet Union, and approved by the Requirements Committee, W.P.M., in Program Determination No. 230; (b) to take account of the portion of ferrous and ferrochrome commitments which are being supplied by the U.K., and (c) through translating some commitments from short tons into the units of measure commonly used in connection with the items in question.

2/ Made available data in the case of all items except steel, railway materials, "other chemicals", machine tools, electric furnaces, forging presses and hammers, various industrial equipment, tires, tubes and other rubber products, electric power cable, miscellaneous copper cable and wire, tarps, shock absorber cord, sheet fiber and metallic cloth and screen include stocks which were on hand as of June 30, 1942, and which were available for shipment against 2nd Protocol commitments. Stocks of steel items which were on hand as of June 30, were taken into account in the adjustment of steel requirements under 2nd Protocol commitments mentioned in Note 1 above.

3/ The 2nd Protocol calls for deliveries in "equal monthly installments". Thus eleven-twelfths of each commitment should have been delivered by May 31, if Protocol schedules were to be maintained.
PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China

DATE: July 25, 1943, 10 p.m.

No.: 987

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

1. Please inform Dr. Kung that:

   (a) Since the 1941 Stabilization Agreement under which the Secretary of the Treasury was obligated to nominate the American member of the Stabilization Board has lapsed, the Treasury is requesting you to submit your resignation to the proper Chinese authorities.

   (b) It is the intention of the Treasury to appoint you as Treasury representative in China, subject to paragraph 4 below.

2. You are hereby instructed to submit your resignation as American representative on the Stabilization Board as indicated above. The Treasury, however, wishes you to stay on in Chungking as Treasury representative.

3. Before assuming your new duties, Treasury will also probably want you to go to India for a short period to do a report on the situation there in connection with matters relating to the silver market and the proposed sale of gold, which are being discussed here at the present time.

4. If you have strong reasons why you feel that the above action would not be desirable, do not (repeat not) submit your resignation and cable Treasury immediately what your strong reasons are.

HILL
(A&I)
Information received up to 7 a.m., 26th July, 1943.

1. NAVAL

Destroyers returning from BISCAY Patrol have 39 survivors from 3 Spanish vessels sunk when fishing in prohibited area. A fourth vessel has also been sunk and the crew taken off. U.S. Warships entered PALERMO yesterday, little damage in port which is expected to be working to full capacity within the next few days.

2. AIR OPERATIONS

WESTERN FRONT. 24th/25th. HAMBURG. 2,319 tons dropped including 11,000 pound and 326,400 H.S. and 957 tons of incendiaries in about 50 minutes. Weather clear. Several crews claim visual identification of objective. Marker bombs accurate and clearly visible resulting in well-concentrated attack. Many large fires gradually merged into a fierce conflagration covering whole city area. Ground defences below usual standard and decreased as attack progressed. Searchlights erratic. At 6:15 p.m. following day HAMBURG was still completely hidden by smoke up to 20,000 feet.


25th/26th. Aircraft despatched - ESSEN 704 (25 missing); Intruders 28 (1 missing, 2 enemy aircraft destroyed); Seaming 17, COLOGNE, HAMBURG and GLASGOW 12; Leaflets 7.

ESSEN attack reported "well concentrated". About 20 enemy aircraft were engaged in operations over YORKSHIRE and in searching off the coast. Night Fighters destroyed 3.

ITALY. 24th. Fortresses dropped 111 tons on the railway centre at BOLOGNA.

SICILY and SOUTH ITALY. 23rd/24th. Railway centres at SAN GIOVANNI and SALERNO each attacked by 34 Wellingtons and ROGGIO airfield by 12 heavy bombers.

24th. 72 escorted medium bombers attacked railway centres at MARINA DI PAOLA and MARINA DI CATERANZA.
TAXES

Present: Mr. Bell
Mr. Gaston
Mr. Paul
Mr. Smith
Captain Kades
Mrs. Klotz

(Copies of Mr. Smith's second draft and Mr. Gaston's draft of letter to the President, discussed over the weekend, attached.)

H.M.JR: This is going to be short and sweet. I have decided to send the first version, after having sought some advice from outside, which I can't disclose. But I was told that this version (Smith draft) was sarcastic and funny.

MR. GASTON: It is sarcastic, there is no question of that.

H.M.JR: I didn't realize it. I didn't think it was. It was recommended that I send this one promptly, the sooner the better. (Copy of final draft attached.)

MR. BELL: That is the Gaston last draft?

H.M.JR: Yes, the sooner the better.

MR. BELL: I wondered yesterday if all these items in the paper about working on controls and programs might not involve this.

H.M.JR: Just as a matter of interest, I had supper there last night. Everything was very pleasant.

MR. PAUL: Mr. Byrnes decided the State Department case in your favor yesterday morning.
H.M.JR: Not really! (Laughter) Anybody got any particular doubts?
MR. PAUL: I think this is a good letter.
H.M.JR: Going, going - sold to American. (Laughter)
(Letter to the President signed by the Secretary.)
H.M.JR: I read it again this morning very carefully, and I wouldn't change a word. A very nice job.
MR. BELL: I have a suggestion at the bottom of page one.
H.M.JR: It is too late. What is it?
MR. BELL: The last sentence at the bottom of page one says: "I have had no notice from you of any such transfer of responsibility, and you will recall that when you set up the Office of Economic Stabilization you exempted" - you should say "informally exempted."
MR. PAUL: I don't think that is necessary.
MR. GASTON: No, I wouldn't say that.
MR. PAUL: The fact was he exempted it.
MR. GASTON: In the first place, he left any specific reference to Treasury functions out of the order. In the second place, in the presence of a big crowd of people he said that this doesn't mean the Treasury.
MR. BELL: That is the only exemption you have, that informal exemption at that conference. It isn't so important, but I think it is accurate that way.
MR. PAUL: That is like saying a verbal contract isn't a contract.
H.M.JR: Not really! (Laughter)

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MR. PAUL: That is like saying a verbal contract isn't a contract.
H.M.JR: I think you are overruled. If you said "informal" it would weaken the thing.

MR. BELL: I think it is pretty weak because I don't think Byrnes and Vinson recognize it - the exemption you got.

H.M.JR: Well, look, this is the point. This thing goes over there, and I thought of sending two drafts, one setting me up and one setting the other. But I thought that would make it too easy for them.

I think there is a fifty-fifty chance he will sign this.

I found this which I think is fascinating. I don't think we will send it. This is June 28, Wall Street Journal: "Byrnes performs no dynamic deeds and few are expected. The 'Great Compromiser' in Congress, he is not a mobilizer by habit."

It goes into the whole business. "Secretary of the Treasury Morgenthau has indicated that in formulation of tax policy he wants to work directly with President Roosevelt. At last report Mr. Byrnes and the new director of economic stabilization, Fred M. Vinson, had been unable to bring Mr. Morgenthau under control."

How many of you saw that?

MRS. KLOTZ: It is wonderful.

MR. PAUL: I didn't. Who wrote it?

H.M.JR: Henry Gemmill. It has the whole works. I will circulate it.

Everybody moderately happy on this going to the President, even Kades?
CAPT. KADES: I am so relieved that you are sending that one rather than the other one. (Laughter)

H.M.JR: Chuck, that was the whole purpose. We thought we would wear you and Paul down on the first one, on the Morgenthau-Smith one. (Laughter)

MR. PAUL: You asked me to call Tarleau.

H.M.JR: Yes.

MR. PAUL: I called him, and I have the telephone conversation here.

(Telephone conversation between Mr. Paul and Mr. Tarleau read by Mr. Paul, copy attached.)

MR. GASTON: That just checks precisely with what I think about Vinson.

H.M.JR: What do you think we could get on some votes?

MR. PAUL: It is pretty hard to get anything on them. Carl Shoup is looking through the hearings. That is about the only place you can get anything because it is all executive session.
My dear Mr. President:

I am badly in need of your help and guidance.

The Treasury's present responsibilities in matters of tax policy, and its relations with others in the Administration, and with Congress, are now muddled and confused.

Frankly, there is a great deal of behind-the-scenes manoeuvring going on in what has always been the Treasury's bailiwick. I am not seriously disturbed about the final result of the manoeuvring, as long as that final result tallies with your desires in the matter. On the other hand, I am greatly alarmed about the probable ineffectiveness of any tax and fiscal program that can come out of the present disorganized way of working.

You know that I have spear-headed and brought into legislation the tax ideas which you felt were vital during the past ten years, and in so doing, I have been the whipping boy for tax reform in your behalf. Until my responsibilities began to be parcelled out to others, we were able to have our way with remarkable consistency.

In my estimation, the fact that we are now at war and faced with grave inflation prospects, only makes more critical the need for a strong tax policy, and for strong single-minded leadership. I should think, therefore, you would want to clear the way for me to continue this fight, because you know, and I know, that the establishment of a strong tax bill in the political year coming up will certainly prove to be a sizeable project.

Perhaps, however, you have changed your mind about the need for an aggressive tax program. Perhaps you would prefer to have the program less vigorous and to have it planned and presented under divided authority. Perhaps you prefer to keep the issue of taxes confused and want the public to remain in doubt as to what the Administration's
tax policies really are. If this is the case, perhaps you are doing the right thing by letting Mr. Byrnes and Judge Vinson undermine me through the press, and by looking to Byrnes and Vinson at Cabinet for reports on tax progress. It may be wise in the event that you don't object to easy and inequitable taxes, to let Senator George, representing the Bourbon South, and ex-members of Congress like Vinson and Byrnes, have a free hand to develop an entente cordiale. Out of this will certainly come a milksop tax bill, probably founded upon a sales tax that will cause great dissatisfaction and dislocation without raising an appreciable amount of money; and very likely some form of compulsory savings that will have all of the social and economic problems and inequities of an income tax and put the Government further in debt in the bargain.

But, as I say, you may feel that this is for some reason a necessary compromise.

On the other hand, you still may want a vigorous attack on the tax front, in order to combat inflation and to increase revenue. In this case, you should place upon some one the responsibility to lead in tax matters, just as you recently placed upon Cordell Hull the final responsibility for our conduct of foreign affairs. Only in this way can you clear up present confusion and put a stop to infiltration and gossip. Only in this way can you centralize authority and responsibility, which I sincerely believe is essential before you can have success on the tax front comparable to that which you are having on the battle fronts.

In this connection, I should like to talk about myself for a minute.

I know you realize perfectly well how much criticism I have taken in this tax situation during the past ten years. But I have believed, with you, that there was a job to be done, and under such circumstances, personal criticism is inconsequential. I now feel so keenly the need for the continuation of a strong tax policy at this time to combat inflation that I am willing to continue to be a fool for punishment. I am willing to take still more criticism if it is necessary to meet this critical need.

Obviously, I have no way of knowing what is in your mind in regard to taxation. I only know that inspired stories in the press continually indicate that you have placed responsibility with others. For your information, I am enclosing the latest of these stories, written by a correspondent close to the left wing of the White House.
In view of the doubt that exists in my mind, and is sapping my strength and wearing down my morale, I wish you would make a clear statement as to how you feel about taxation, and whether you wish to continue to have an aggressive policy on this front, and if so, whether I am to lead the way.

If your attitude on taxation has changed, I might add, I think I am probably not the man to lead the way. If you have changed your mind, I should like to know it so that I can put my whole energy into the coming War Loan Drives. I should also like the public to know it officially, rather than by innuendo and rumor.

If you haven't changed your mind, I should like to point out that I can serve you and my country on the fiscal front with 100% sincerity and wholeheartedness only if I have your complete backing and support. And this is something that you - and only you - can clear up.

Faithfully yours,

The President,
The White House.

P.S. If you expect me to continue to coordinate tax planning and to present the Administration's tax plan to Congress, the attached order, made public, is the sort of thing that would clear the way.

Attachments.
Dear Mr. President:

I should like to respectfully request that you clear up the matter as to who has the final responsibility for coordinating the fiscal policy of the Government, and determining the methods and dimensions of taxation.

As you know, this matter continues to come up. Today, a story by John Crider in the New York Times, at least some of which was secured from Judge Vinson's office, seems to make it clear that Judge Vinson is officially coordinating the departments of Government on taxation, and it carries an implication that Vinson will take the proposed tax measures to Congress.

In the morning paper also, we find a criticism that "in eighteen months of war, our Treasury Department has failed utterly to bring forth any program for War Finance . . . all we know is that the Treasury is 'working' on a plan and will have it 'ready' for Congress in September." This is typical of the kind of adverse publicity that arises out of the peculiar position we find ourselves in. Without authority to coordinate a fiscal policy of the Government, we certainly cannot keep the public posted concerning this vital matter.

The fact of the matter is that we are working on every conceivable taxation plan. We are going at it with only one consideration in mind: How can we raise the largest amount of money with the least amount of dislocation and inequitability. Contrary to newspaper reports, many of them planted with some end in mind, we have not taken definite philosophical stands against, nor refused to try to develop, any particular kind of tax plan. I believe it is to the best interests of the Administration to have
the public know this, and to have them know also that contrary to belief, we have made many concrete recommendations about taxation.

Under the present circumstances, however, any word of explanation now to appear in the public press, particularly with the newspaper people having been given the impression that Judge Vinson has been put in charge of such matters over my head, would certainly generate the appearance of another intracase quarrel. Yet, it is important to the Administration that the Treasury’s score be kept straight.

I feel strongly, that you should appoint a coordinator in whom you have confidence and from whom tax discussion for the press must emanate. I feel that you should make this appointment in order to prevent this vital appointment being made by individuals themselves, or by the Press.

I feel further, if I may say so, that you should give me this responsibility, and instruct all interested parties in the Government to cooperate with me and with Treasury tax officials. In the end, the Treasury will be blamed for any tax difficulties, and I should like to be in a position to minimize those difficulties as far as possible.

I can assure you that a clear delineation of policy on this matter of fiscal policy will make it possible to clear up much of the public criticism in a very short time. I also can assure you that the Treasury will cooperate fairly and to the fullest extent, with all departments of Government having an interest in this matter. This is something that I will attend to personally, because I feel it is of the greatest importance to the war and to you.
You will recall that I asked you about this at the time the newspapers and some of the politicians seemed to have put Byrnes in charge of tax matters. Then, you asked me to cooperate with Mr. Byrnes, which I have done. However, it now seems that Judge Vinson is the man. There are also signs that the actual job of coordination may eventually head up under Stamm.

As you can see, nothing but confusion can possibly come from such a situation, if allowed to drift, and I sincerely hope you will see your way clear to settle this so we can get on with an orderly study of fiscal matters.
My dear Mr. President:

I am badly in need of your help and guidance as to the Treasury's present responsibility and its relations with others in the Administration and with Congress in matters of tax policy. The situation now seems to be one of muddle and confusion which I think only you can clear up.

During the last ten years you have looked to me as Secretary of the Treasury to direct tax research and planning and to represent you before Congress. It has not been an easy job because, as you know, we have been pressing constantly for increases in revenue, for the removal of rank discriminations in the tax laws and for other salutary reforms in which you have been keenly interested. The fight has often been bitter and the Treasury has been the subject of criticism and abuse by the political and economic foes of your Administration. I have been fortified, however, by your support and the fact that you looked to me to carry forward so important a part of your general program.

Now the situation has taken a different turn and I am in doubt whether you want me to go on doing for you what I have done in the past.

A combination of circumstances has led to the belief in Washington and throughout the country that the Treasury is "out of the tax picture" so far as tax policy and legislation are concerned. First Mr. Byrnes, the Director of War Mobilization, and more recently Mr. Vinson as Economic Stabilization Director, are represented as "tax policy makers." I have had no notice from you of any such transfer of responsibility, and you will recall that when you set up the Office of Economic Stabilization you exempted the Treasury from the direction of the
head of that office. Nevertheless Mr. Vinson has undertaken negotiations on tax matters with the chairman of the two committees of Congress and has called members of the Treasury staff to meet with him and representatives of the staff of the Joint Committee on Internal Revenue Taxation to discuss tax policy and changes in the law. Newspaper stories reflect the conclusion that he is in charge of coordinating Administration tax views and may even present an Administration program to Congress.

This creates a situation which makes it very difficult for me and for members of my staff to work effectively on tax matters. Our authority to get the views and assistance of other departments and agencies of the Government is made doubtful and we can't even carry on with any confidence dealings with the Committee leaders and their staff representatives.

The whole atmosphere is one of doubt and uncertainty which I think will very greatly prejudice your ability to make recommendations on taxes to which Congress will give serious heed. My own view—and I think it agrees with yours—is that we need very substantial additional taxes, both for revenue and to combat inflation. There is a different view on the Hill. I should like to see your views presented in a manner to make them most effective. I don't think that can be done if the present confusion of authority continues.

I urge therefore that you give me a clear and definite answer to two questions and that you make your decision public. The questions are:

(1) Do you continue to look to me as your Secretary of the Treasury to coordinate the views of others in the Administration and to present a tax program to you for your approval?

(2) Do you wish me to be in charge of presenting such a program to the Congress, as I have been doing over the last ten years?
I am taking the liberty of enclosing a form of directive which would indicate your affirmative answer to both these questions.

Sincerely,

Secretary of the Treasury

The President

The White House
TO: The Secretary of the Treasury
   The Director of War Mobilization
   The Director of Economic Stabilization

   It is my desire that the Secretary of the Treasury
as the chief fiscal officer of the Government shall
continue to be in charge of the formulation of tax
policies and of a tax program to be submitted to me
and shall represent me in presenting the Administra-
tion's program to Congress.

   The Secretary of the Treasury, in the formulation
of the tax program, will be expected to consult with
and to obtain the views of the Director of War Mobil-
ization, the Director of Economic Stabilization, and
representatives of other interested departments and
agencies.
Telephone conversation, Mr. Paul to Mr. Tarleau, 4:50 p.m. July 26, 1943

Mr. Paul - Hello, Tommy. I have a confidential question to ask you. What was the attitude of Fred Vinson while he was on the Ways and Means Committee - as to whether he was progressive or reactionary in connection with taxation?

Mr. Tarleau - Except for one instance, where he felt the House prestige was at stake - the undistributed profits tax (third basket) - I would say he was conservative.

Mr. Paul - You have no doubt of his technical ability?

Mr. Tarleau - He has the technical ability of a fairly bright Congressman. He is no great genius and is far less familiar than he thinks he is, but he certainly is far superior to Jere Cooper.

Mr. Paul - Going to the level of what is his attitude.

Mr. Tarleau - He is not as liberal as Jere Cooper or Ray McKeough.

Mr. Paul - Or perhaps Dr. Crowther?

Mr. Tarleau - He is a good administration man and will go down the line for things that are really important. He resembles Jere Cooper in that respect.

Mr. Paul - Do you feel that he has any broad basic knowledge of economics.

Mr. Tarleau - Absolutely not.

Mr. Paul - If I want to get any further information along the same line - further back - who would you suggest that I ask?
Mr. Tarleau - Arthur Kent.

Mr. Paul - I would rather not ask him now - you know why.

Mr. Tarleau - He would be the only one that I know of now.

Mr. Paul - I think I have what I want from you. This is very confidential.

Mr. Tarleau - I have forgotten about it already.
My dear Mr. President:

I am badly in need of your help and guidance as to the Treasury's present responsibility and its relations with others in the Administration and with Congress in matters of tax policy. The situation now seems to be one of muddle and confusion which I think only you can clear up.

During the last ten years you have looked to me as Secretary of the Treasury to direct tax research and planning and to represent you before Congress. It has not been an easy job because, as you know, we have been pressing constantly for increases in revenue, for the removal of rank discriminations in the tax laws and for other salutary reforms in which you have been keenly interested. The fight has often been bitter and the Treasury has been the subject of criticism and abuse by the political and economic foes of your Administration. I have been fortified, however, by your support and the fact that you looked to me to carry forward so important a part of your general program.

Now the situation has taken a different turn and I am in doubt whether you want me to go on doing for you what I have done in the past.

A combination of circumstances has led to the belief in Washington and throughout the country that the Treasury is "out of the tax picture" so far as tax policy and legislation are concerned. First Mr. Byrnes, the Director of War Mobilization, and more recently Mr. Vinson as Economic Stabilization Director, are represented as "tax policy makers." I have had no notice from you of any such transfer of responsibility, and you will recall that when you set up the Office of Economic Stabilization you exempted the Treasury from the direction of the...
head of that office. Nevertheless Mr. Vinson has undertaken negotiations on tax matters with the chairman of the two committees of Congress and has called members of the Treasury staff to meet with him and representatives of the staff of the Joint Committee on Internal Revenue Taxation to discuss tax policy and changes in the law. Newspaper stories reflect the conclusion that he is in charge of coordinating Administration tax views and may even present an Administration program to Congress.

This creates a situation which makes it very difficult for me and for members of my staff to work effectively on tax matters. Our authority to get the views and assistance of other departments and agencies of the Government is made doubtful and we can't even carry on with any confidence dealings with the Committee leaders and their staff representatives.

The whole atmosphere is one of doubt and uncertainty which I think will very greatly prejudice your ability to make recommendations on taxes to which Congress will give serious head. My own view—and I think it agrees with yours—is that we need very substantial additional taxes, both for revenue and to combat inflation. There is a different view on the Hill. I should like to see your views presented in a manner to make them most effective. I don't think that can be done if the present confusion of authority continues.

I urge therefore that you give me a clear and definite answer to two questions and that you make your decision public. The questions are:

(1) Do you continue to look to me as your Secretary of the Treasury to coordinate the views of others in the Administration and to present a tax program to you for your approval?

(2) Do you wish me to be in charge of presenting such a program to the Congress, as I have been doing over the last ten years?
I am taking the liberty of enclosing a form of directive which would indicate your affirmative answer to both these questions.

Sincerely,

Secretary of the Treasury

The President

The White House
TO: The Secretary of the Treasury  
The Director of War Mobilization  
The Director of Economic Stabilization

It is my desire that the Secretary of the Treasury as the chief fiscal officer of the Government shall continue to be in charge of the formulation of tax policies and of a tax program to be submitted to me and shall represent me in presenting the Administration's program to Congress.

The Secretary of the Treasury, in the formulation of the tax program, will be expected to consult with and to obtain the views of the Director of War Mobilization, the Director of Economic Stabilization and representatives of other interested departments and agencies.
VINSON SEEKS UNITY FOR TAX PROGRAM
Consults With Executive and Legislative Experts in Drive to Draft Wartime Bill
SAVINGS PLAN IS PUSHED
Compulsory Measures on Lines of Victory Measure Is Favored by Some Congress Groups

BY JOHN H. CRIDER
Special to The New York Times
WASHINGTON, July 20—Fred M. Vinson, Economic Stabilization Director, is moving to bring together all the internal agencies of the executive department on a single tax program for presentation to Congress in September when it returns to prepare the country's largest wartime revenue bill.

Mr. Vinson was pictured as meeting frequently with a group from the Treasury, and then meeting them together.

At the same time he is attempting to sound the views of members of Congress in advance of any tax presentation.

He does this, as an expert, having served many times in the House as a member of the sub-committee on Taxation of Ways and Means Committee. Whether Mr. Vinson, instead of the Treasury, will present the Administration's tax program to Congress has not yet been decided. It had already been learned.

With only a little more than a month to get together an acceptable tax program to raise as much as possible of the $12,000,000,000 additional asked by Henry Morgenthau Jr., Secretary of the Treasury, the tax front has been intensified this week at Mr. Vinson's office, the Treasury and the joint committee on Internal Revenue Taxation of Congress.

Unless Mr. Vinson is successful in his efforts to shape an Administration program with which Congress can agree in principle, it is possible that the joint committee and the agencies of the Executive Department will develop conflicting programs. Activity centers in the group of experts around Colin P. Stam, staff chief of the joint committee, and around Randolph Paul, general counsel of the Treasury.

The joint committee will have a larger part than usual in the program for two reasons. Mr. Vinson has worked with Mr. Stam and has confidence in his judgment, and Mr. Stam's committee is exercising for the first time the powers granted to it under the 1943 revenue act to call upon any department of the Government for information.

The tax committee placed in that act powers which, in effect, set up the joint committee as the central agency for collecting tax data, with subpoena power, and gave it statutory authority to put to work other agencies, including the Treasury.

The most important implication of the Vinson program for a united tax front, according to experts outside the Treasury, will be to force Secretary Morgenthau to accept compulsory savings. Sentiment on Capitol Hill is reported as strong for compulsory savings as the only means of taking considerably larger segments of spending power from individuals in the fight against inflation.

As early as the Spring of 1942 the Federal Reserve Board's chairman, Marriner Ecclestone, Leon Henderson, then the head of the Office of Price Administration, and the Bureau of the Budget agreed on the urgency of adopting compulsory savings but could not persuade Mr. Morgenthau to adopt it.

It was learned today that it was only after Mr. Vinson received jurisdiction over taxes that Mr. Morgenthau attended inter-departmental conferences on this subject.

In a report privately circulated among members of the Ways and Means Committee and the Senate Finance Committee, the staff of the Joint Committee on Revenue Taxation has suggested that the victory tax, which it defends as a valuable part of the wartime tax structure, might form the nucleus for compulsory savings. The committee staff said: "The victory tax affords the best model for a simple compulsory savings plan, except that in the case of compulsory savings there would be no limit on the credit for the amount of bonds purchased."

"Moreover," the staff report continued, "the principle of allowing deductions for insurance, gifts and other expenditures of a non-inflationary character should be adopted under any compulsory savings scheme."

If we adopt a compulsory savings plan, there is merit in using for that purpose a tax which is familiar to all, and in good working order, rather than experimenting with an untried and probably more complicated method."
July 22, 1943

My dear Mr. President:

I am enclosing a copy of a story by John H. Crider in Wednesday's New York Times which clearly convinces me that I must have further enlightenment and guidance from you on a vital matter if I am to function effectively as your Secretary of the Treasury.

You will recall that on June 10, not long after Mr. Byrnes had been made Director of War Mobilization, a similar story was published, containing the statement that "the announcement that Mr. Byrnes was going to take a hand in the shaping of future tax policies led observers to the conclusion that Mr. Morgenthau will no longer be the Administration's tax policy maker."

The present story goes somewhat beyond that. Besides substituting Judge Vinson for Mr. Justice Byrnes it indicates that Mr. Vinson is not only engaged in formulating a tax program for presentation to Congress but may even be entrusted with the task of presenting it.

On the same day (June 10) that the story appeared naming Mr. Byrnes as the Administration's new "tax policy maker" I wrote to you suggesting that if you wished me to continue to be responsible to you for the development of tax policies and their presentation to Congress it would be appropriate for you to clear up the confusion on this matter created by statements made by Mr. Byrnes and their interpretation by the press.

While you were good enough to reply by memorandum on June 12 stating that you would expect me to present to Congress a tax program having your approval you did not clearly indicate whether you wished me to retain primary responsibility for developing such a program to present to you. You suggested that the Mobilization Director and I should "get together and arrange to cooperate in this matter." I have conferred with Mr. Byrnes and with Mr.
Vinson both on tax and general fiscal matters, but I have not received any indication from either of them of the basis on which they expect or are expected to cooperate on the extremely vital matter of formulation of a tax program for presentation to you.

You asked me in your memorandum of June 12 not to let the newspapers disturb me; but, lacking any clear directive or information as to what I am to do and what others are to do, I am compelled to pay a great deal of attention to what I read in the daily press. Besides, it is not solely or chiefly a matter of my being disturbed. Our ability in the Treasury to reap the benefit of the knowledge and opinion of other administrative officers of the Government, which we have been conscientiously attempting to do, our ability to deal with members of the committees of Congress and the staff of the Joint Committee, our ability even to formulate our own ideas relating to taxes are all prejudiced by the widespread impression that has been circulated through many channels of dissemination that, except for gathering data for the authorized agents of the Administration to utilize, the Treasury is "out of the tax picture."

I am sure that you will realize that this situation is not merely personally humiliating to me—a relatively unimportant matter—but it is rapidly putting you and your entire Administration into a position where your tax proposals, no matter how carefully formulated, are quite unlikely to get the attention they deserve from the committees of Congress when they meet to consider a tax bill. The picture being presented to them is one of indecision and confusion, even on so primary a matter as the question of who is charged by you with responsibility for formulating and coordinating Administration tax research and advice. The effectiveness of the Treasury Department in that field is being dissipated without any designation of a substitute to take over the Treasury's traditional functions and responsibilities.

How far this state of confusion has advanced is indicated by the statement in Mr. Crider's story that the staff
of the Joint Committee is preparing, after gathering data by subpoenas from various executive departments and agencies under powers expressed in the 1942 Tax Act, to present its own entire program of tax legislation to the committees and to Congress. This decision forecasts scant attention to any Administration program you may recommend.

In my opinion it would be deplorable if events should take that course. This is especially true in the light of what we have been able to learn of the views of the chief of staff of the Joint Committee and those of various members of the two committees. As far as we have been able to ascertain they have not been impressed—in spite of all we know about the huge increase in national product and national income, the great pressure of excess income on prices and the relatively poor showing we are making on the revenue front as compared to Canada and Great Britain—with the need of any substantial additions to revenue. They are talking of leaving the income tax structure, including all its present discriminations, substantially untouched, and raising revenue in relatively trivial amount—and that through a sales tax, which will probably add to rather than lessen the inflationary pressure. In addition they are suggesting as the easy way to escape the necessity of higher taxes the inauguration of some half-hearted plan of forced lending which would act as a bar to the higher rates of taxation we ought to get and might only substitute for a part of the funds we are now getting through voluntary lending.

I hope you will forgive me for saying, Mr. President, that the situation is not merely disturbing; it is alarming. If ever the Administration needed to speak with a clear voice on any subject it is now, and on the subject of taxation. A chorus of voices, each one speaking on the basis of some rumored authority, can not be a clear voice; it can not be reassuring; it can not do otherwise than create an impression of indecision and confusion—and that is the precise impression that is being created every day both by word of mouth and by printed assertion and innuendo.

I read today in another newspaper the statement that the Treasury has no fiscal program, and the implication was conveyed that on that account the whole war effort is being endangered and that financial ruin stares us in the face.
This is certainly not helpful publicity as we prepare for another financing drive in which we will call for far the largest individual subscriptions to a war loan in our history.

The statement is not true. The Treasury has a program, in large and in particular. We have had a program for war financing since long before Pearl Harbor. When we inaugurated the War Savings plan in May of 1941 it was as a part of an integrated plan of taxation and borrowing intended not only to finance the war, but also to throw up the most secure defenses possible against inflation. We are prepared now, on not much more than a moment's notice, to give you a complete set of recommendations for new taxation at any time you may deem it appropriate to call for it.

But how can the Treasury be considered by the public to have a program if it continues to be advertised, as it is being advertised, that it makes no difference what kind of ideas or plans the Treasury may have, since what the Treasury has to say is not with authority and isn't going to count in the end?

Will you not say, and say publicly, that you are looking to me as Secretary of the Treasury to continue to carry the traditional responsibilities of a Secretary of the Treasury and to formulate for you, in consultation with all agencies of the Government which have a proper interest, a tax program which you expect me to present to Congress? Or if you do not wish to do that, will you not then designate someone else to whom you wish to transfer this burden?

What I most fervently deplore is this whittling away that is now going on of the authority and the ability of your Administration to discharge adequately its duty and responsibility to the Nation on the fiscal front.

Sincerely,

The President

Secretary of the Treasury

The White House
July 23, 1943

My dear Mr. President:

A number of recent developments force me to seek enlightenment from you on a matter of crucial importance, if I am to function effectively as your Secretary of the Treasury. The two points on which I am in urgent need of your guidance are:

(1) Am I, as Secretary of the Treasury, to continue to be in charge of the formulation of tax plans and policies for submission to you as the basis for an Administration tax program;

(2) Do you still look to the Treasury to present the Administration’s tax program to Congress.

In seeking your advice and direction on these two points I am mindful, as I always have been, of your order that “disagreements either as to fact or policy should not be publicly aired” but are to be submitted to you for decision. I want you to know that I am in complete agreement both with the letter and spirit of that order. It is a policy that I have followed punctiliously from the time when you first entrusted me with the responsibility of public office. But I now find myself in the position where word of mouth rumor and statements in the newspapers, both obviously emanating from persons within the Administration, are not only undermining my effectiveness but in my opinion weakening the power of the Administration and doing serious damage to the war program.

A typical newspaper story of this kind is that by John Crider in the New York Times of Wednesday. This represents Mr. Vinson, Economic Stabilization Director, as having assumed charge of formulating an Administration tax program for presentation to Congress and conveys the further suggestion that Mr. Vinson may himself present the program to Congress. This is not in accord with any
instructions I have received from you, but I am not able to comment on it without running the risk of entering into public controversy, which I should certainly not wish to do.

You will recall that on June 10 of this year after a similar story had appeared naming Mr. Byrnes, the War Mobilization Director, as the Administration’s new “tax policy maker” I wrote to you suggesting that if you wished me to continue to be responsible to you for the development of tax policies and their presentation to Congress it would be appropriate for you to clear up the confusion on this matter created by statements made by Mr. Byrnes and their interpretation by the newspapers.

While you were good enough to reply by memorandum on June 12 stating that you would expect me to present to Congress a tax program having your approval you did not clearly indicate whether you wished me to retain primary responsibility for developing such a program to present to you. You suggested that the Mobilization Director and I should “get together and arrange to cooperate in this matter.” I have conferred with Mr. Byrnes and with Mr. Vinson both on tax and general fiscal matters, but I have not received any indication from either of them of the basis on which they expect or are expected to cooperate on the extremely vital matter of formulation of a tax program for presentation to you.

You asked me in your memorandum of June 12 not to let the newspapers disturb me; but, lacking any clear directive or information as to what I am to do and what others are to do, I am compelled to pay attention to what I read in the daily press, especially when there is no authoritative denial of these demoralizing rumors. Besides, it is not solely or chiefly a matter of my being disturbed. The widespread impression has been circulated through many channels of dissemination that, except for gathering data for some other agent or agents of the Administration to utilize, the Treasury is “out of the tax picture.” This impression makes it practically impossible
for us to continue to seek the advice of other agencies of the Government on tax matters, as we have been conscientiously attempting to do; it hampers most seriously our dealings with members of the committees of Congress and the staff of the Joint Committee, with whom a great volume of preparatory work must be done in advance of any tax legislation, and it exercises a blighting effect even on our own tax research work and the formulation of our own ideas as to a tax program.

It goes even further than that. The situation of uncertainty that has been created is rapidly putting you and your entire Administration into a position where your tax proposals, no matter how carefully formulated, are quite unlikely to get the attention they deserve from the committees of Congress when they meet to consider a tax bill. The picture being presented to them is one of indecision and confusion, even on so primary a matter as the question of who is charged by you with responsibility for formulating and coordinating Administration tax research and advice. The effectiveness of the Treasury Department in that field is being dissipated without any designation of a substitute to take over the Treasury’s traditional functions and responsibilities.

How far this state of confusion has advanced is indicated by the statement in Mr. Crider’s story that the staff of the Joint Committee is preparing, after gathering data by subpoena from various executive departments and agencies under powers expressed in the 1942 Tax Act, to present its own entire program of tax legislation to the committees and to Congress. This decision forecasts scant attention to any Administration program you may recommend.

In my opinion it would be deplorable if events should take that course. This is especially true in the light of what we have been able to learn of the views of the chief of staff of the Joint Committee and those of various members of the two committees. I feel very strongly, as I believe you do, about the need for new tax revenue in very substantial amounts. What we know about the huge increase in national income, the great pressure of excess

Regraded Unclassified
buying power on prices and the relatively poor showing we are making on the revenue front as compared to Great Britain and Canada all spell out the need as a mere matter of fiscal and economic prudence of much more drastic taxation. Yet so far as we have been able to ascertain the people on the Hill have not been impressed. They are talking of leaving the income tax structure, including all its present discriminations, substantially untouched, and raising revenue in relatively trivial amount—possibly through a sales tax, which may very well add to rather than lessen the inflationary pressure. In addition they are suggesting as the easy way to escape the necessity of higher taxes the inauguration of some half-hearted plan of forced lending which would act as a bar to the higher rates of taxation we ought to get and might only substitute for a part of the funds we are now getting through voluntary lending.

It seems to me that if ever the Administration needed to speak with a clear voice on any subject it is now, and on the subject of taxation. A chorus of voices, each one speaking on the basis of some rumored authority, can not be a clear voice; it can not be reassuring; it can not do otherwise than create an impression of indecision and confusion—and that is the precise impression that is being created every day both by word of mouth and by printed assertion and innuendo.

There is an organized effort to discredit the Treasury as your representative. Have you analyzed the sources from which that effort comes in order to find out why that is so? Is it not chiefly because the Treasury has been the spearhead which you have employed over the last ten years to drive for many salutary reforms and to remove rank discriminations in our revenue structure? It is my opinion that anyone you might choose to represent you on the tax front would share the same obloquy.

This process of undermining which is now being carried on makes it extremely difficult for me to go ahead with the war financing and a great many other things that are on my hands, and it spreads doubt and uncertainty not only in my own mind, but among those who work with me.
But what is really being whittled away by this backfire in the corridors and in the press is not merely the prestige and authority of the Treasury, but also the prestige and authority of the Roosevelt Administration and its ability to discharge adequately its duty and responsibility to the Nation on the fiscal front. Therefore I ask you most urgently to give me a clear answer to the two questions I put at the opening of this letter. These are:

(1) Do you want me to continue to be in charge of formulating recommendations on tax policy and tax legislation for presentation to you?

(2) Do you want the Treasury to present your tax program to Congress, as it has always done?

Faithfully,

Secretary of the Treasury

The President

The White House
My dear Mr. President:

I am badly in need of your help and guidance in the matter of tax policy and Treasury relations with others in the Administration and with Congress. The situation now seems to be one of muddle and confusion which I think only you can clear up. This state of affairs is not only embarrassing me. It is interfering seriously with my effectiveness as your Secretary of the Treasury. It is making it extremely difficult for me to discharge one of the most important and harassing duties you have committed to me as I have been doing over the last ten years. It is doing most serious harm to your whole program, particularly on the fiscal and anti-inflationary front.

What I need most urgently is a clear answer to the question whether you look to me, as you have in the past, to take charge of coordinating opinion and advice within the Administration and of formulating a tax program for presentation to you.

Doubt and confusion were created some time ago by newspaper stories saying that Mr. Byrnes as Director of War Mobilization was to be the Administration's "tax policy maker." The stories were said to have been based on statements made by Mr. Byrnes. A new crop of stories is now appearing. One by John Grider in last Wednesday's New York Times is typical. I am enclosing a copy of it. It represents Mr. Vinson, the Economic Stabilization Director, as having assumed charge of formulating an Administration tax program and suggests also that Mr. Vinson, and not the Treasury, may present the program to Congress.

Such stories, and the rumors which are being circulated about the country, do a great deal of harm. They make it practically impossible for us to continue to seek the advice of other agencies of the Government on
tax matters as we have been conscientiously attempting to do. They hamper most seriously our dealings with members of the committees of Congress and the staff of the Joint Committee. They exercise a blighting effect on the work of the Treasury staff. Most important, they put you and your entire Administration into a position where your tax proposals, no matter how carefully formulated, are quite unlikely to get the attention they deserve from Congressional committees.

The picture being presented is one of indecision and controversy within the Administration. In such an atmosphere it seems plain to me that it will be very difficult for you to impress Congress and the country with the importance of the tax proposals I feel sure you will want to make. I know that I am in entire agreement with you in believing that we need much heavier taxes both for revenue and to combat inflation. A different view seems to prevail on the Hill.

In such a situation the Administration needs to speak with a clear voice. A chorus of voices, each seeming to represent the Administration, can't be a clear voice. What is being whittled away by rumor, by undermining, and by infiltration in the corridors and the press is not merely the prestige and authority of the Treasury, but also the prestige and authority of your Administration and its ability to discharge adequately its duty and responsibility to the Nation.

Whether Justice Byrnes, Judge Vinson or I as Secretary continue to carry forward a traditional Treasury responsibility is not nearly so important as having the matter settled now and settled in such a way that the public will understand it.

Therefore I ask you most urgently to tell me whether you wish me to continue to be in charge of coordinating opinion within the Administration on tax policies, and of presenting your tax program to Congress.

Faithfully,

The President

The White House

Secretary of the Treasury.
July 23, 1943.

My dear Mr. President:

I am badly in need of your help and guidance in the matter of tax policy and Treasury relations with others in the Administration and with Congress. The situation now seems to be one of muddle and confusion which I think only you can clear up. This state of affairs is interfering seriously with my effectiveness as your Secretary of the Treasury. It is making it extremely difficult for me to discharge one of the most important and harassing duties you have committed to me as I have been doing over the last ten years. It is doing most serious harm to your whole program, particularly on the fiscal and counter-inflationary front.

What I need most urgently is a clear answer to the question whether you look to me, as you have in the past, to take charge of coordinating opinion and advice within the Administration and of formulating a tax program for presentation to you.

Doubt and confusion were created some time ago by newspaper stories saying that Mr. Byrnes as Director of War Mobilization was to be the Administration's "tax policy maker." The stories were said to have been based on statements made by Mr. Byrnes. Inspiration is now being given to a new crop of stories. One by John Crider in last Wednesday's New York Times is typical. I am enclosing a copy of it. It represents Mr. Vinson, the Economic Stabilization Director, as having assumed charge of formulating an Administration tax program and suggests also that Mr. Vinson, and not the Treasury, may present the program to Congress.

Such stories, and the rumors which are being circulated about the country, do a great deal of harm. They make it practically impossible for us to continue to seek the advice of other agencies of the Government on
tax matters as we have been conscientiously attempting to do. They hamper most seriously our dealings with members of the committees of Congress and the staff of the Joint Committee. They exercise a blighting effect on the work of the Treasury staff. Most important, they put you and your entire Administration into a weak position on the tax front.

The picture being presented is one of indecision and controversy within the Administration. In such an atmosphere it seems plain to me that it will be very difficult for you to impress Congress and the country with the importance of the tax proposals I feel sure you will want to make. I know that I am in entire agreement with you in believing that we need much heavier taxes both for revenue and to combat inflation. A different view seems to prevail on the Hill.

To meet this situation the Administration needs to speak with a clear voice. A chorus of voices, each seeming to represent the Administration, can't be a clear voice. What is being whittled away by rumor, by undermining, and by infiltration in the corridors and the press is not merely the prestige and authority of the Treasury, but also the prestige and authority of your Administration and its ability to discharge adequately its duty and responsibility to the Nation.

Whether Justice Byrnes, Judge Vinson or I as Secretary continue to carry forward a traditional Treasury responsibility is not nearly so important as having the matter settled now and settled in such a way that all of the agencies concerned as well as the public will understand it.

The matter would be cleared up quickly and finally if you were to approve such a directive as that which I enclose. In any event, I earnestly urge that you advise me promptly whether you wish me to continue to be in
charge of coordinating opinion within the Administration on tax policies, and of presenting your tax program to Congress.

Faithfully,

Secretary of the Treasury.

The President

The White House
To:  The Secretary of the Treasury  
The Director of War Mobilization  
The Director of Economic Stabilization

It is my desire that the Secretary of the Treasury as the chief fiscal officer of the Government shall continue to be in charge of the formulation of tax policies and of a tax program to be submitted to me and shall represent me in presenting the Administration's program to Congress.

The Secretary of the Treasury, in the formulation of the tax program, will be expected to consult with and to obtain the views of the Director of War Mobilization, the Director of Economic Stabilization and representatives of other interested departments and agencies.
My dear Mr. President:

By my letter to you of June 10 I had hoped to secure definite answers to two vital questions which as long as they remain unanswered make it unnecessarily difficult for me to discharge one of the most important duties of the Secretary of the Treasury. The two questions are these:

1. Am I, as Secretary of the Treasury, to continue to be in charge of the formulation of tax plans and policies for submission to you and later submission, with your approval, to the Congress?

2. Is the Treasury to present to the Congress the Administration tax plan approved by you?

These two questions are closely inter-related. In your memorandum of June 12, replying to my letter of June 10, without answering the first question you said that if you approved a tax plan I would present it. But it seems to me necessary to tie your answer to this question to your answer to the first question. If some plan is developed outside the Treasury and approved by you, it may transpire that these
who are responsible for the plan should have charge of its presentation as the Treasury might not be the best instrument for the presentation of some plan developed elsewhere. I, therefore, respectfully repeat the second question in this letter even though it may seem you answered it in your memorandum of June 12.

The first question in my letter of June 10 -- whether the work on the preparation of the tax bill would be coordinated under my direction or the direction of someone else -- has not been answered by you.

Day after day I am told, or read in the press, that the Treasury is no longer in charge of tax matters. A typical example of such newspaper stories is that of John Crider's in the New York Times of Wednesday, a copy of which is enclosed herewith. This story represents Mr. Vinson, the Economic Stabilization Director, as having assumed charge of formulating an Administration tax program for presentation to Congress and conveys the further suggestion that Mr. Vinson may himself present the program to Congress. The story is very much like an earlier story naming Justice Byrnes as the Administration's new "tax policy maker." Such stories, and the gossip and rumor
which is being circulated about the country, do a great deal of harm to our tax program. They make it practically impossible for us to continue to seek the advice of other agencies of the Government on tax matters as we have been conscientiously attempting to do. They hamper most seriously our dealings with members of the Committees of Congress and the staff of the Joint Committee. They exercise a blighting effect even on our own tax research work. Finally, and most important, they put you and your entire Administration into a position where your tax proposals, no matter how carefully formulated, are quite unlikely to get the attention they deserve from Congressional Committees.

It is impossible for me to work under such adverse circumstances. Frankly, I work too hard to be at sixes and sevens with other press appointed coordinators. I ask you, therefore, to clarify the situation by answering directly, and publicly, the two questions I have asked.

If it is your desire to place the chief responsibility for taxes upon someone else, I wish you would clear away all misunderstanding by doing so in unequivocal terms. If you
wish me to retain the responsibility, I wish you would say so in equally clear language. Whatever you say I shall accept in the utmost good spirit.

I can only add the suggestion that many of these stories reflect an organised effort to discredit the Treasury as your representative. I have been glad to be the spearhead for many years on the many salutary tax reforms which have been enacted into the law by your Administration. I think I have done a good job in these years. Certainly I have taken much criticism on the chin. I am glad to continue to do so, but I would like to have it clearly understood that I am in charge of the tax program.

I write you this letter because I am greatly concerned about recent developments. What is being whittled away by much backfire in the corridors and in the press is not the prestige and authority of the Treasury but the prestige and authority of your Administration and its ability to discharge adequately its duty and responsibility to the Nation on the fiscal front.
Dear Mr. President:

I should like to respectfully request that you clear up the matter as to who has the final responsibility for coordinating the fiscal policy of the Government, and determining the methods and dimensions of taxation.

As you know, this matter continues to come up. Today, a story by John Grider in the New York Times, at least some of which was secured from Judge Vinson's office, seems to make it clear that Judge Vinson is officially coordinating the departments of Government on taxation, and it carries an implication that Vinson will take the proposed tax measures to Congress.

In the morning paper also, we find a criticism that "in eighteen months of war, our Treasury Department has failed utterly to bring forth any program for War Finance ... all we know is that the Treasury is working' on a plan and will have it 'ready' for Congress in September." This is typical of the kind of adverse publicity that arises out of the peculiar position we find ourselves in. Without authority to coordinate a fiscal policy of the Government, we certainly cannot keep the public posted concerning this vital matter.

The fact of the matter is that we are working on every conceivable taxation plan. We are going at it with only one consideration in mind: How can we raise the largest amount of money with the least amount of dislocation and inequitability. Contrary to newspaper reports, many of them planted with some end in mind, we have not taken definite philosophical stands against, nor refused to try to develop, any particular kind of tax plan. I believe it is to the best interests of the Administration to have
the public know this, and to have them know also that contrary to belief, we have made many concrete recommendations about taxation.

Under the present circumstances, however, any word of explanation now to appear in the public press, particularly with the newspaper people having been given the impression that Judge Vinson has been put in charge of such matters over my head, would certainly generate the appearance of another intricate quarrel. Yet, it is important to the Administration that the Treasury's score be kept straight.

I feel strongly, that you should appoint a coordinator in whom you have confidence and from whom tax discussion for the press must emanate. I feel that you should make this appointment in order to prevent this vital appointment being made by individuals themselves, or by the Press.

I feel further, if I may say so, that you should give me this responsibility, and instruct all interested parties in the Government to cooperate with me and with Treasury tax officials. In the end, the Treasury will be blamed for any tax difficulties, and I should like to be in a position to minimise those difficulties as far as possible.

I can assure you that a clear delineation of policy on this matter of fiscal policy will make it possible to clear up much of the public criticism in a very short time. I also can assure you that the Treasury will cooperate fairly and to the fullest extent, with all departments of Government having an interest in this matter. This is something that I will attend to personally, because I feel it is of the greatest importance to the war and to you.
You will recall that I asked you about this at the time the newspapers and some of the politicians seemed to have put Byrnes in charge of tax matters. Then, you asked me to cooperate with Mr. Byrnes, which I have done. However, it now seems that Judge Vinson is the man. There are also signs that the actual job of coordination may eventually head up under Stimson.

As you can see, nothing but confusion can possibly come from such a situation, if allowed to drift, and I sincerely hope you will see your way clear to settle this so we can get on with an orderly study of fiscal matters.
On Saturday, July 24, at 6:55 a.m. I called Fred Smith and told him that I had an entirely new approach on this letter. I thought I ought to make it very clear what the situation was.

I suggested that we start out by saying that "there seems to be something going on at the White House that I don't understand, for example what happened to Wallace." I said: "After all, you know how I have spear-headed for you, your measures during the last ten years. I should think you would want me to continue to fight. But perhaps this has changed, and you want a less vigorous program. And therefore you have permitted people like Byrnes to undermine me, and this is illustrated by your remarks to Byrnes and Vinson at Cabinet."

"The way it is now the chances are you are letting men like George on the Hill, representing the Bourbon South, and ex-members of Congress like Vinson and Byrnes set up an entente cordiale, and out of it you will get a weak tax bill. Probably a sales tax or compulsory savings.

"If, on the other hand, you want a vigorous tax and one led with the same responsibility that you gave Eisenhower in Europe you must clear out the underbrush and centralize authority.

"The way it is now this is sapping my morale and vitality, and I don't know whether I am being attacked from the front or behind."
I would rather not waste my strength on this kind of thing, and would rather conserve it to put over war loans.

"If you want to continue an aggressive leadership in tax policy then you must place the responsibility with me to formulate policies in consultation with whomever you wish to designate. And once it has your approval we will present the taxes as forcibly as we can on the Hill.

"I realize perfectly that I have been your whipping boy on tax reform but I feel the need so keenly for the establishment of an aggressive tax policy to combat inflation that I am a fool for punishment. The need is so critical that I am willing to take it.

"Of course I don't know what is in your mind in regard to taxation but please let me know as soon as possible because I can only serve you and my country with a hundred percent sincerity and wholeheartedness if I have your complete backing and support."

Then I pointed out that we could put a P.S. on the letter saying, "If you want me to do it, here is the kind of an order that will turn the trick."

I said I would call back at 12:30 and see what the letter sounded like.

Smith read to me draft number one. I suggested that "watery tax bill" be changed to "milksop tax bill." I then talked to Bell, Gaston, Kades and Smith, who had gathered in my office. I
suggested that a copy of the letter be sent to me by Secret Service men, and that copies be provided to the people present so that they could think about it over the week-end. Draft number two is one of those copies. On Sunday noon, July 25, I called Fred Smith at home and reported that Bob felt Mr. Gaston's letter to be too weak to make the President change his mind. He liked my letter better, and suggested a third alternative, which was simply to start coordinating the tax program and tell the President what I was up to.

I made the suggestions recorded on draft number three. The chief suggestion was to eliminate Eisenhower and use Hull instead as an example.

In a few minutes Smith called back with the following sentence: "In this case you should place upon someone the responsibility to lead in tax matters, just as you recently placed on Cordell Hull the final responsibility for our conduct of Foreign affairs." I suggested that in the last paragraph we say "I can serve you and my country on the fiscal front."

Monday morning, July 26, Smith asked Bell to call a meeting of the group to discuss the letter before I called. The group met in Bell's office. The overall impression was that this was a personal letter from me to the President, and therefore the group was not qualified in the final analysis to give sound advice.
Gaston pointed out that this letter inferentially tied me up with the reformers, and it appeared that I was trying to get the President to continue with his reforming, when as a matter of fact I have never actually been one of the "reform group."

Mr. Paul felt strongly against sending the letter because it left no out. He felt that I should have very good evidence before taking the case so bluntly to court.

Captain Kades disapproved strongly of the letter, because he felt it was unappropriate in war time to talk back to the Commander-in-Chief. He felt that the Commander-in-Chief should give orders, and I should take them, and I should not stir up any problems. He felt that the letter was not friendly in tone and "not like the Secretary."

Bell was uncertain as to whether the letter should go or not. He would not oppose it, and neither would he okay it. He would simply say that it was "a good letter." He felt, however, that the Gaston letter was safer "for everybody concerned." On the other hand, he felt that either of the letters might make the President mad -- there was no assurance that mine would and Gaston's wouldn't.

Smith said that in his estimation, the Secretary was most concerned about getting an answer, one way or another. He thought the getting of an answer was actually more important than the answer that came out. In that event, the chief function of the letter should be to get an answer. He felt that my letter was far more likely to get an answer, and was much less easy to
laugh off than the other letter. He also felt strongly that if he were the President, he would rather get a letter that sounded like Henry Morgenthau than one that sounded like a letter that had been written for Henry Morgenthau on so private a matter.

Mr. Bell suggested the alterations marked on draft four, and suggested that "a fool for punishment" be dropped.

After talking to Washington in the morning, I discussed the letter with Mrs. Morgenthau and she suggested that the allusion to Henry Wallace be dropped, because of information she had concerning it. She felt that in using Wallace as an illustration, we were not only rubbing the President the wrong way, but that we were fighting an unnecessary battle. I called Smith and suggested that we make a new lead. I suggested that we use something similar to the Gaston lead because it was friendly, and at the same time strong. Smith suggested that it was a little wordy for the rest of the letter but he always says everything is wordy unless he writes it himself. The Gaston lead was revised as per draft number five.

Smith then discussed the letter with Mrs. Klotz and she suggested dropping, in the third paragraph, the reference to myself being made uncomfortable by the unsettled situation. This was relayed to me when I called Smith at two o'clock to hear the new lead, and I agreed that it would be a good idea to drop it out. He reported that Mrs. Klotz felt that it was
otherwise a very good letter, and that it was essentially the letter I had wanted to write when the subject first came up last week.

Draft number six is the final form, which was delivered to Mrs. Klotz at 2:30 Monday, July 26 for my signature.
My dear Mr. President:

There seems to be something going on at the White House that I don't understand.

I think what happened to Henry Wallace is an example. Obviously, I don't know the details of the Wallace affair, but we all know he was jettisoned into an impossible position before airing his grievances in public.

Frankly, it begins to look as though the same thing is happening to me. For know of a reason that I should not take my troubles to the public, even if there were no order forbidding it. And while I am not seriously disturbed about the final result of the maneuvering that is going on in what has always been my bailiwick, I am greatly concerned about the probable ineffectiveness of any tax and fiscal program that can come out of the present disorganized way of working.

You know that I have spear-headed and brought into legislation your tax ideas during the past ten years, and in so doing, I have been the whipping boy for tax reform in your behalf. Until my responsibilities began to be parcelled out to others, we were able to have our way with remarkable consistency.

In my estimation, the fact that we are now at war and faced with grave inflation prospects, only makes more critical the need for a strong tax policy, and for strong leadership. I should think, therefore, you would want to clear the way for me to continue this fight, because you know, and I know, that the establishment of a strong tax bill in the political year coming up will certainly prove to be a sizeable project.

Perhaps, however, you have changed your mind about the need for an aggressive tax program. Perhaps you would prefer to have a less vigorous program, planned and presented under divided authority. Perhaps you prefer to keep the issue of taxes confused and want the public to remain in doubt as to what the Administration's tax policies really are. If this is the case, you are doing the right
thing by letting Mr. Byrnes and Mr. Vinson undermine me through the press, 

I am the one who may have misled in the sense that you wanted to say something that was not true. It is wise to let Senator George, representing the Bourbon South, and ex-members of Congress like Vinson and Byrnes, have a free hand to develop an entente cordiale. Out of this will certainly come a tax bill, probably founded upon a sales tax that will cause great dissatisfaction and dislocation without raising an appreciable amount of money; and probably some form of compulsory savings that will have all of the social and economic problems and inequities of an income tax and many other assets. You may feel that this is the answer, but I do not agree.

But, as I say, you can still fight what you want.

On the other hand, you may want a vigorous attack on the tax front, in order to combat inflation and to increase revenue. In this case, you should place upon someone the same responsibility to lead as you gave Eisenhower in Europe. Only in this way can you clean up present confusion and put a stop to infiltration and gossip and centralize authority. I sincerely believe it is essential before you can have success on the tax front comparable to that which you are having on the battle fronts.

In this connection, I should like to talk about myself for a minute.

I know you realize perfectly well how much criticism I have taken in this tax situation during the past ten years. But I have believed, with you, that there was a job to be done, and under such circumstances, personal criticism is inconsequential. I now feel so keenly the need for the continuation of a strong tax policy at this time to combat inflation that I am willing to be a fool for punishment. I am willing to take still more if it is necessary to meet this critical need.

Obviously, I have no way of knowing what is in your mind in regard to taxation. I only know that inspired stories in the press continually indicate that you have placed responsibility with political appeasers. For your information, I am enclosing the latest of these stories, written by a correspondent close to the left wing of the White House.
In view of the doubt that exists in my mind, and is sapping my strength and wearing down my morale, I wish you would make a clear statement about how you feel about taxation, and whether or not you wish to continue to have an aggressive policy on this front, and if so, whether I am to lead the way.

If your attitude on taxation has changed, I might add, I think I am probably not the man to lead the way. If you have changed your mind, I should like to know it. I should also like the public to know it officially, rather than by innuendo and rumor, so that I will be less likely to be blamed for the consequences, so that I can put my whole energy into the coming War Loan Drives. If you haven't changed your mind, I should like to point out that I can only serve you and my country with 100% sincerity and whole-heartedness if I have your complete backing and support. And this is something that you and only you - can clear up. Faithfully yours,

P. S. If you expect me to continue to coordinate tax planning, and to present the administration's tax plan to Congress, the attached order, made public, is the sort of thing that would clear the way.
My dear Mr. President:

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Frankly, it begins to look as though the same thing is happening to me. And while I am not seriously disturbed about the final result of the maneuvering that is going on in what has always been my bailiwick, I am personally made very uncomfortable by it and -- what is more important -- I am greatly alarmed about the probable ineffectiveness of any tax and fiscal program that can come out of the present disorganized way of working.

You know that I have spear-headed and brought into legislation your tax ideas during the past ten years, and in so doing, I have been the whipping boy for tax reform in your behalf. Until my responsibilities began to be parcellled out to others, we were able to have our way with remarkable consistency.

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Perhaps, however, you have changed your mind about the need for an aggressive tax program. Perhaps you would prefer to have the program less vigorous and to
have it planned and presented under divided authority. Perhaps you prefer to keep the issue of taxes confused and want the public to remain in doubt as to what the Administration's tax policies really are. If this is the case, perhaps you are doing the right thing by letting Mr. Byrnes and Mr. Vinson undermine me through the press, and by looking to Byrnes and Vinson at Cabinet for reports on tax progress. It may be wise in the event that you want easy and inequitable taxes, to let Senator George, representing the Bourbon South, and ex-members of Congress like Vinson and Byrnes, have a free hand to develop an entente cordiale. Out of this will certainly come a milk-sop tax bill, probably founded upon a sales tax that will cause great dissatisfaction and dislocation without raising an appreciable amount of money; and very likely some form of compulsory savings that will have all of the social and economic problems and inequities of an income tax and put the Government further in debt in the bargain.

But, as I say, you may feel that this is for some reason a necessary compromise.

On the other hand, you still may want a vigorous attack on the tax front, in order to combat inflation and to increase revenue. In this case, you should place upon some one the same responsibility to lead as you gave Eisenhower in Europe. Only in this way can you clear up present confusion and put a stop to infiltration and gossip. Only in this way can you centralize authority, which I sincerely believe is essential before you can have success on the tax front comparable to that which you are having on the battle fronts.

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I know you realize perfectly well how much criticism I have taken in this tax situation during the past ten years. But I have believed, with you, that there was a job to be done, and under such circumstances, personal criticism is inconsequential. I now feel so keenly the need for the continuation of a strong tax policy at this time to combat inflation that I am willing to be a fool for punishment. I am willing to take still more criticism if it is necessary to meet this critical need.
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If your attitude on taxation has changed, I might add, I think I am probably not the man to lead the way. If you have changed your mind, I should like to know it so that I can put my whole energy into the coming War Loan Drives. I should also like the public to know it officially, rather than by innuendo and rumor.

If you haven't changed your mind, I should like to point out that I can serve you and my country with 100% sincerity and wholeheartedness only if I have your complete backing and support. And this is something that you -- and only you -- can clear up.

Faithfully yours,

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The President

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taxes, to let Senator George, representing the Bourbon South, and ex-members
of Congress like Vinson and Byrnes, have a free hand to develop an entente
cordiale. Out of this will certainly come a watery tax bill, probably founded
upon a sales tax that will cause great dissatisfaction and dislocation without
raising an appreciable amount of money; and very likely some form of compulsory
savings that will have all of the social and economic problems and inequities of
an income tax and put the Government further in debt in the bargain.

But, as I say, you may feel that this is for some reason a necessary
compromise.

On the other hand, you still may want a vigorous attack on the tax front, in
order to combat inflation and to increase revenue. In this case, you should place
upon some one the responsibility to lead, as outgoing President, in Europe.

Only in this way can you clear up present confusion and put a stop to infiltration
and gossip. Only in this way can you centralize authority, which I sincerely
believe is essential before you can have success on the tax front comparable
to that which you are having on the battle fronts.

In this connection, I should like to talk about myself for a minute.

I know you realize perfectly well how much criticism I have taken in this tax
situation during the past ten years. But I have believed, with you, that there
was a job to be done, and under such circumstances, personal criticism is incon-
sequential. I now feel so keenly the need for the continuation of a strong tax
policy at this time to combat inflation that I am willing to be a fool for
punishment. I am willing to take still more criticism if it is necessary to meet
this critical need.

Obviously, I have no way of knowing what is in your mind in regard to taxation.
I only know that inspired stories in the press continually indicate that you have
placed responsibility with political appeasers. For your information, I am encl-
ing the latest of these stories, written by a correspondent close to the
left wing of the White House.

In view of the doubt that exists in my mind, and is sapping my
strength and wearing down my morale, I wish you would make a clear state-
ment about how you feel about taxation, and whether or not you wish to
continue to have an aggressive policy on this front, and if so, whether
I am to lead the way.

If your attitude on taxation has changed, I might add, I think I am
probably not the man to lead the way. If you have changed your mind, I
should like to know it so that I can put my whole energy into the coming
War Loan Drives.

I should also like the public to know it officially, rather than by
innuendo and rumor, so that I will be less likely to be blamed for the
consequences. If you haven't changed your mind, I should like to point
out that I can serve you and my country with 100% sincerity and whole-
heartedness only if I have your complete backing and support. And this
is something that you - and only you - can clear up.

Faithfully yours,

[Signature]

P.S. If you expect me to continue to coordinate tax planning, and to
present the administration's tax plan to Congress, the attached order, made
public, is the sort of thing that would clear the way.
1. Very personal. 
2. Croatan doesn't look likely to return. 
3. Paul & Bess feel you should have my good wishes. 
4. Judges think you should get your orders on standing. 
5. Have heard from you. 
6. Poor health at first. 

My dear Mr. President:

There seems to be something going on at the White House that I don't understand.

I think what happened to Henry Wallace is an example. Obviously, I don't know the details of the Wallace affair, but we all know he was jettisoned into an impossible position before airing his grievances in public.

Frankly, it begins to look as though the same thing is happening to me. And while I am not seriously disturbed about the final result of the maneuvering that is going on in what has always been my bailiwick, I am personally made very uncomfortable by it and -- what is more important -- I am greatly alarmed about the probable ineffectiveness of any tax and fiscal program that can come out of the present disorganized way of working.

You know that I have spear-headed and brought into legislation your tax ideas during the past ten years, and in so doing, I have been the whipping boy for tax reform in your behalf. Until my responsibilities began to be parcellled out to others, we were able to have our way with remarkable consistency.

In my estimation, the fact that we are now at war and faced with grave inflation prospects, only makes more critical the need for a strong tax policy, and for strong single-minded leadership. I should think, therefore, you would want to clear the way for me to continue this fight, because you know, and I know, that the establishment of a strong tax bill in the political year coming up will certainly prove to be a sizeable project.

Perhaps, however, you have changed your mind about the need for an aggressive tax program. Perhaps you would prefer to have the program less vigorous and to have it planned and presented under divided authority. Perhaps you prefer to keep the issue of taxes confused and want the public to remain in doubt as to what the Administration's

(Martin) 
(July 26)
tax policies really are. If this is the case, perhaps
you are doing the right thing by letting Mr. Byrnes and
Mr. Vinson undermine me through the press, and by looking
to Byrnes and Vinson at Cabinet for reports on tax progress.
It may be wise in the event that you want easy and inequitable
taxes, to let Senator George, representing the Bourbon South,
and ex-members of Congress like Vinson and Byrnes, have a
free hand to develop an entente cordiale. Out of this will
certainly come a watery tax bill, probably founded upon a
sales tax that will cause great dissatisfaction and dislocation
without raising an appreciable amount of money; and
very likely some form of compulsory savings that will have
all of the social and economic problems and inequities of
an income tax and put the Government further in debt in the
bargain.

But, as I say, you may feel that this is for some reason
a necessary compromise.

On the other hand, you still may want a vigorous attack
on the tax front, in order to combat inflation and to increase
revenue. In this case, you should place upon some one the
responsibility to lead in tax matters, just as you recently
placed upon Cordell Hull the final responsibility for our
conduct of foreign affairs. Only in this way can you clear
up present confusion and put a stop to infiltration and
gossip. Only in this way can you centralize authority, which
I sincerely believe is essential before you can have success
on the tax front comparable to that which you are having on
the battle fronts.

In this connection, I should like to talk about myself
for a minute.

I know you realize perfectly well how much criticism
I have taken in this tax situation during the past ten years.
But I have believed, with you, that there was a job to be
done, and under such circumstances, personal criticism is
inconsequential. I now feel so keenly the need for the
continuation of a strong tax policy at this time to combat
inflation that I am willing to continue to be a fool for
punishment. I am willing to take still more criticism if
it is necessary to meet this critical need.

Obviously, I have no way of knowing what is in your mind
in regard to taxation. I only know that inspired stories
in the press continually indicate that you have placed
responsibility with political appeasers. For your informa-
tion, I am enclosing the latest of these stories, written by
a correspondent close to the left wing of the White House.
In view of the doubt that exists in my mind, and is sapping my strength and wearing down my morale, I wish you would make a clear statement about how you feel about taxation, and whether or not you wish to continue to have an aggressive policy on this front, and if so, whether I am to lead the way.

If your attitude on taxation has changed, I might add, I think I am probably not the man to lead the way. If you have changed your mind, I should like to know it so that I can put my whole energy into the coming War Loan Drives.

I should also like the public to know it officially, rather than by innuendo and rumour, so that I will be less likely to be blamed for the consequences. If you haven't changed your mind, I should like to point out that I can serve you and my country on the fiscal front with 100% sincerity and wholeheartedness only if I have your complete backing and support. And this is something that you — and only you — can clear up.

Faithfully yours,

P.S. If you expect me to continue to coordinate tax planning, and to present the administration's tax plan to Congress, the attached order, made public, is the sort of thing that would clear the way.

Attachments.
My dear Mr. President:

I am badly in need of your help and guidance.

The Treasury's present responsibilities in matters of tax policy, and its relations with others in the Administration, and with Congress, are now muddled and confused.

Frankly, there is a great deal of maneuvering going on in what has always been the Treasury's bailiwick. I am not seriously disturbed about the final result of the maneuvering, as long as that final result tallies with your desires in the matter. On the other hand, I am personally made very uncomfortable by the unsettled situation and -- what is more important -- I am greatly alarmed about the probable ineffectiveness of any tax and fiscal program that can come out of the present disorganized way of working.

You know that I have spear-headed and brought into legislation the tax ideas which you felt were vital during the past ten years, and in so doing, I have been the whipping boy for tax reform in your behalf. Until my responsibilities began to be parcelled out to others, we were able to have our way with remarkable consistency.

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Perhaps, however, you have changed your mind about the need for an aggressive tax program. Perhaps you would prefer to have the program less vigorous and to have it planned and presented under divided authority. Perhaps you prefer to keep the issue of taxes confused and want the public to remain in doubt as to what the Administration's
tax policies really are. If this is the case, perhaps you are doing the right thing by letting Mr. Byrnes and Judge Vinson undermine me through the press, and by looking to Byrnes and Vinson at Cabinet for reports on tax progress. It may be wise in the event that you don't object to easy and inequitable taxes, to let Senator George, representing the Bourbon South, and ex-members of Congress like Vinson and Byrnes, have a free hand to develop an entente cordiale. Out of this will certainly come a milk-sop tax bill, probably founded upon a sales tax that will cause great dissatisfaction and dislocation without raising an appreciable amount of money; and very likely some form of compulsory savings that will have all of the social and economic problems and inequities of an income tax and put the Government further in debt in the bargain.

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Attachments.
July 27, 1943
9:10 a.m.

GROUP

Present: Mr. Bell
          Mr. Gamble
          Mr. Smith
          Mr. Gaston
          Mr. Paul
          Captain Kades
          Mr. Bernstein
          Mr. Charles Bell
          Mr. Blough
          Miss Michener
          Mrs. Klotz

H.M. JR: Good morning, everybody. Before I forget it, Smith, would you write a letter to Wallace for me? I want to congratulate him on his speech.

Herbert?

MR. GASTON: I would like to talk to you some time about this OPA situation - this OPA enforcement situation.

H.M. JR: I am in good shape today. I have a number of things, too.

MR. GASTON: Also, I got a letter from the connoisseur of wines, which I transmitted to Marvin Jones. They have shut off the supply of these various things to wine raisers. They are going to put these people out of business.

H.M. JR: I am going to have to pay for that case. (Laughter)

MR. GASTON: I sent it to Marvin Jones without comment. I explained the circumstances.
H.M.JR: Anything else?

MR. GASTON: I can't think of anything else.

H.M.JR: Miss Michener, anything in your place?

MISS MICHENER: Not that I know of, Mr. Secretary.

H.M.JR: Now, what happened yesterday?

MR. PAUL: There was a meeting attended by Rockefeller, Knollenberg for Stettinius, Dean Acheson, Governor Lehman, Crowley, Wayne Coy, and Doctor Feis. I only made one point, we would have to submit every thought we had in the middle of the night - call up the State Department - under that letter, and Byrnes said, "I may--"

H.M.JR: About the middle of the night; you mean half past seven in the morning. (Laughter)

MR. PAUL: Two o'clock in the morning. Then Byrnes said, "Well, I may as well announce what I think about it." He said, "I don't think" - then he used the word in your letter, which he had previously read to the meeting - "I don't think we ought to try to codify this situation. You can't do that." Then he went along and said that the State Department doesn't want to take all the responsibility if they can't have all the power.

H.M.JR: Don't want to take all the what?

MR. PAUL: All the responsibility and take all these people and have them in the State Department. He doesn't want to do that - they can't have all the power. He went along and made a speech along that line. Then Dean Acheson protested and said that "We weren't really trying to do anything; we were just trying to establish rules of procedure." He made a very nice speech. It made no impression on Byrnes.

H.M.JR: Did they know, the public - did the group know about our letter?
MR. PAUL: Both our letter and Governor Lehman's letter were read.

H.M.JR: Did he protest?

MR. PAUL: Yes, particularly on communications, but he didn't protest so basically as you did. It was decided to go along under the President's letter of June 3 and make no change. Then if people couldn't agree in certain situations, they were to go to Byrnes.

Governor Lehman made a long plea about our unpreparedness with respect to Italy, nobody being in charge, nobody knowing how they were going to get coal, cotton, rayon, and such things into Italy and how the Italian situation would fit the world situation. He said he didn't think we could supply the coal, and nobody was studying that.

MR. BELL: I thought the State Department was in charge of that.

MR. PAUL: They said they were working on it, they, and the British, and the Army, but it didn't look to Lehman as though very much was being done. I pointed out that we had been working on the TFR-500.

MR. BELL: I think it is the Finletter committee, isn't it?

MR. BERNSTEIN: Yes, it is under Acheson.

MR. BELL: The Finletter committee, yes.

MR. PAUL: McNutt has taken the vice president of the - is trying to get the vice president of the company to come with him - the company where this man works - and is going to be area director of Italy. There is an internal fight between McNutt and the State Department on that. The State Department claims it has a prior claim.

There is a fight between Lend-Lease and Lehman on what shall be the philosophy - who shall be in charge of particular areas.
H.M.JR: I thought everything was cleared up under the State Department.

MR. PAUL: No, Lehman thinks a certain area should be under him, and Lend-Lease thinks it ought to be under the State Department. They haven't resolved that fight yet.

One thing more - Wayne Coy was there and I asked him - I hadn't been able to get a reply to my telephone call to Smith, so I asked Wayne if he had received any notice from Stam. He said he had, and had replied to one of them. He had received two. But he didn't volunteer to give me a copy of it.

H.M.JR: Well, we will know in not too many days now.

I got your memorandum about the Capital Times of Madison, Wisconsin.

MR. PAUL: About that ten thousand dollars?

H.M.JR: Yes, which I want checked.

MR. GASTON: Shall I have that checked?

H.M.JR: Yes, would you?

MR. GASTON: He couldn't make them different; what one shows in Madison and what the other shows - it ought to show here.

H.M.JR: It ought to?

MR. GASTON: Yes.

H.M.JR: What do you mean - he could make them different.

MR. GASTON: I don't see how he could.
H.M.JR: Why couldn't you? I mean, there is no law - there is a law, but if I want to cheat there is nothing to prevent me from filing a separate return in my State - income tax.

MR. GASTON: But there is no difference in law; it is either a plain case of cheating or they will be the same.

H.M.JR: Did you know about this?

MR. GASTON: Yes.

H.M.JR: Do you want this memo as a reminder?

MR. GASTON: Yes. (Memorandum from Mr. Paul to the Secretary and attached Capital Times clipping handed to Mr. Gaston.)

H.M.JR: I talked this morning - I was up early - with Joe O'Connell, and he tells me McConnell is coming down.

MR. PAUL: Today?

H.M.JR: Monday or Tuesday. He is going to go to work for us. You might ask Elmer to give me the latest income tax on McConnell. I think his residence now is Virginia.

MR. GASTON: Yes.

H.M.JR: Where will you put him?

MR. CHARLES BELL: We have ten rooms on the third floor that the Women's Division was in that would be convenient unless you want McConnell directly across the hall with Chuck Kades. There are two rooms there with a secretarial room between.

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

CAPT. KADES: I think that would be fine.
H.M.JR: Has Gamble given up the rooms downstairs of Buffington's?

MR. CHARLES BELL: Yes.

H.M.JR: What is happening to them?

MR. CHARLES BELL: Odegard is still in one, subject to move, I think, in a few days. But those are all available to you.

H.M.JR: That is a lovely suite of rooms down there.

MR. CHARLES BELL: Yes, sir.

H.M.JR: When are you moving Odegard?

MR. GAMBLE: Just as quickly as they are ready, Mr. Secretary. We are having a little trouble with phones.

H.M.JR: And the women?

MR. GAMBLE: They are all moved.

H.M.JR: Everybody has moved?

MR. GAMBLE: But Odegard and myself.

H.M.JR: Trouble with his phone?

MR. GAMBLE: Yes, with his phone, and some of the offices are having a little trouble getting the phones hooked up and the furniture arranged. It will be just a matter of a day or two.

H.M.JR: There is a wonderful suite, but I think McConnell would be very well situated with you, wouldn't he?
CAPT. KADES: Yes, Mr. Secretary, fine.

H.M.JR: I think he will help.

Now, on that thing - what was the name of this attorney we had in here the other day?

MR. SMITH: Wharton.

H.M.JR: What is his first name?

MR. SMITH: John.

H.M.JR: Do you know John Wharton?

MR. PAUL: No.

H.M.JR: He is associated with that firm - what is the name?


MR. PAUL: I know the firm.

H.M.JR: Well, he headed a sort of a study group under Wallace. He is coming down to see me with a list of people that he had. He is Bob Sherwood's personal attorney. I spoke to Bob; he is a wonderful fellow. He doesn't want to do law work, though. He isn't interested in legal work; he is interested in economic work.

Do you know Weiss very well?
MR. PAUL: Yes.

H.M.JR: He will be down, I think, in a day or two. He said he was more interested in getting his own group placed than he was in getting himself placed.

MR. PAUL: Has he some attorneys?

MR. SMITH: They aren't attorneys - I think one attorney and two or three economists.

H.M.JR: Sort of a planning group.

MR. SMITH: Milo Perkins told him to go out and find the smartest men he could find, regardless of what they were, and bring them in.

H.M.JR: I told him that - particularly, I told him in Foreign Funds.

Anyway, I had a very short talk with him. I told him that working in the Treasury was different; he would have to sever his connections with his law firm, which he hasn't. He is on a per diem basis - a consultant basis.

I said that before we went any further we had better find out whether he was willing to do that. I am tired of wearing myself out with these people and then finding out they really don't want to come when they find out the price they have to pay.

Are you all right?

MR. PAUL: There is no question but what you have to sever all connections.

H.M.JR: I know.
MR. GAMBLE: You sent me a copy of a conversation about Barton. Do you want my reaction to that?

H.M.JR: I didn't send it to you except to get your reaction. (Laughter)

MR. GAMBLE: I think he will be all right. We had an experience with Barton in our pledge campaign and he did a very good job for us. You remember he is the fellow that headed up the committee that made a study for you.

H.M.JR: I know who he is. I was afraid he was too political. What committee did he head up?

MR. GAMBLE: You remember the committee - you wanted a check made on how effective this campaign was. He headed up the committee, organized the people, and did a very good job.

H.M.JR: You are satisfied?

MR. GAMBLE: Yes, sir.

H.M.JR: How about you?

MR. SMITH: Yes, sir.

MR. PAUL: Who?

MR. GAMBLE: Bruce Barton.

H.M.JR: Now, if you (Gamble) would stay behind, I want to see you alone.

Now, last night I got talking with Elliott Roosevelt, who is back for two weeks - I got talking to him about how wonderful it was that the Air Corps would give us the name - the serial number of a bomb, rather, so we could trace it back to the factory.

He said, "Hell, that is nothing." He says, "You auction off a bomb in advance and tell the fellow where he wants it to go and we will drop it for him."
He said, "You sell a bomb - have a fellow's name on it, tell us where to drop it, and we will drop it, and let them pay so much money for it."

I invited him to come over and talk to your War Bond group. When could you get your gang together?

MR. GAMBLE: Any time.

H.M.JR: He is really on his toes, and the boy has developed marvelously. I am very fond of him. Why don't we say ten o'clock tomorrow?

MR. GAMBLE: Ten o'clock tomorrow is good.

H.M.JR: Where will you be?

MR. GAMBLE: In the Washington Building.

H.M.JR: Why don't I have him come here and bring him over?

MR. GAMBLE: Yes. We have a little auditorium over there, you know.

H.M.JR: No, I didn't.

MR. GAMBLE: It will take care of about a hundred and fifty people.

H.M.JR: What do you think of that idea?

MR. GAMBLE: I think it is an excellent idea.

H.M.JR: I mean, if you auction off a bomb, then call that "Mr. so-and-so" and he puts his name on it, and drop it, and tell them when it is dropped, and everything else.

MR. GAMBLE: One of the manufacturers' representatives has been down here. We have a bomb now made of plastic. There is a little place for a capsule with a calling card in it. I have it on my desk now. We have been working with him on this. (Laughter)
H.M.JR: You get up in the theater and auction off -
"Where would you like this bomb dropped?"

"I want it dropped on Berlin."

"O.K., how much are you willing to pay for it? Have
your name on it."

Give this to Doob; he will go to town on it.

Mr. GASTON: It seems to me it would be an awfully good
idea to get both the Navy and the War Department to have
returning heroes - people returning from the front during
August - increase the number of talks all around the country.
They don't need to say anything about War Bonds - just talk
about their own experiences. Blanket the country pretty
well during August. It would be magnificent preparation for
September.

H.M.JR: Elliot, on that, said we could get a lot of
Italian prisoners in the United States who would get up and
talk on why they hate Hitler. We got to joking and I said,
"I am putting in the first option on Mussolini."

I said, "I want him for September, and I want him around
in a cage, and we will pay so much to spit in his eye."

I said, "That is the least we are going to do. At
least, I am not going to put hot needles under the nails
the way they do - a Fascist thing. I want him for September."
So from that the President said about the electric whiskers -
we can have him to take--

(The Secretary held a telephone conversation with
Mr. Burgess.)

H.M.JR: But the electric whiskers - he didn't know
whether he could speak English, but he said a lot of
Italian prisoners would get right up on the platform and make
a good hot anti-Hitler speech for you.
Now, General Greenbaum said the first time you came over, fine; you made a good impression. The group you sent over - he got people from the Air Corps and all over, and he said the meeting was a washout. He said it was very embarrassing to him. You sent over a lot of advertising people - I don't know who they are - a lot of high-pressure people. He had people from all over the Army all ready to do something for the Treasury, and he said the meeting just fizzled out and he said it has hurt him - General Greenbaum - and the Treasury.

The first time Smith came over, fine. He said the next time the meeting - he said, "I tied up a lot of important people all raring to go. We sat around - it was just blah, blah, blah."

MR. SMITH: I was afraid of that.

H.M.JR: Not good. I don't know whose fault, but you two fellows (Gamble and Smith) better put your heads together because Greenbaum was pretty well put out.

MR. GAMBLE: I think Fred probably should recruit them and go back.

MR. SMITH: The second meeting was the one where they took the advertisements with the idea of tying in the Army more closely.

H.M.JR: Greenbaum was quite put out.

MR. GASTON: One of the columnists called attention to something I think is pretty important, that the War Department is making a very great mistake about their handling of German prisoners - letting these sergeants control them. They run these Fascist camps, make no effort to select out the Social Democrats and the anti-Fascists at all, and those fellows are being hazed and suppressed and persecuted.

H.M.JR: You and I both read "PM."

MR. GASTON: I didn't read it in "PM." I heard one of the foreign commentators - radio commentators - talking on that line. He made a very fine talk on that subject.
H.M.JR: Just now I am a little bit extended, and I don't mean my diaphragm, either. (Laughter)

MR. GASTON: If we get Italians, we might get the War Department to select out some Germans for us.

H.M.JR: Anything else?

MR. GAMBLE: Mr. Tripp is here today, Allied Newspaper Council. I would like to walk him in for a couple of minutes.

H.M.JR: Where is he right now?

MR. GAMBLE: He will be in touch with our office during the morning.

H.M.JR: He will be here all day?

MR. GAMBLE: Yes, sir.

H.M.JR: Eleven-forty-five?

MR. GAMBLE: Yes. I will bring Doob and Smith with him.

The only other thing - we put up these ads for you to take a look at.

H.M.JR: Right after this meeting I will see them.

MR. GAMBLE: That is all I have.

CAPT. KADES: Under Secretary Forrestal is interested in the food problem and the price of food, so he sent a lieutenant of the Navy to the Treasury to find out about it. He was referred to me. His name is Lieutenant Tasca. It turns out he used to work for Harry White. (Laughter)

H.M.JR: That is very funny. Is he good? Let's get him.

MR. BERNSTEIN: Very good.
H. M. JR.: Let's borrow him. What was this boy's name?

CAPT. KADES: Tasca.

MR. BERNSTEIN: T-a-s-c-a.

H. M. JR.: While we are on that, you might write a letter for me to OPA, now that we have got an advertising man over there who seems to want to be popular. I would like to write a letter for my signature about people eating in hotels and restaurants without using their coupons. I think it is all wrong. I would like to go on record.

CAPT. KADES: Yes, sir.

H. M. JR.: I think it is definitely something that only rich people can do, and I think it is undemocratic. I would like to put it on that basis. It is undemocratic and something that only people with extra spending money can afford to do. I think that people who eat at restaurants or hotels should have to use their ration books.

MR. PAUL: Does that apply to the ordinary soda fountain and everything else?

H. M. JR.: Whatever it is.

MR. PAUL: In that respect it isn't undemocratic. It is undemocratic in the sense--

H. M. JR.: Well, it is being abused.

MR. PAUL: No doubt about that. I mean, it isn't merely a matter of hotels.

H. M. JR.: If I lived in New York City where the restaurants aren't so crowded I could eat my lunch and supper at a restaurant and then have my Sunday dinner sent in by that restaurant, and then have steak on Monday with my book.

MR. PAUL: That is right.
H. M. JR: I want to put it on the question of undemocratic. You write me a good letter.

MR. GASTON: Same way on the A cards on gasoline, you know. One family will have three A cards - three cars - and another family has one card.

H. M. JR: You know they were originally going to have that that no family could have more than one card. They never put that through. Well, that is all right with me.

MR. BELL: People have B cards and got them on the strength of using their car to come to work, and never use it to come to work.

H. M. JR: Incidentally, the letter to Jones - it only went last night - on the English stuff.

CAPT. KADES: Incidentally, Mr. Secretary, I finally discovered that story in the Wall Street Journal of about ten days ago which you asked Chick and me to ask about. It came direct from Judge Jones to George Bryan. It was an interview. I got that information through Gene Duffield.

H. M. JR: Anything else?

CAPT. KADES: No.

H. M. JR: What rank has Gene got?

CAPT. KADES: He is not commissioned yet.

MR. GASTON: He doesn’t want a commission.

H. M. JR: Frederick?

MR. SMITH: Office of War Information wants you to make an eight-minute recording, broadcast to Australia, and they will bring the machinery here to do it.

H. M. JR: What will I talk about?
MR. SMITH: About War Bonds. They want you to talk about War Bonds and what a lovely job the country is doing buying War Bonds - the volunteer system, and so on.

H.M.JR: Are you for it?

MR. SMITH: I think it is all right.

H.M.JR: They won't let anybody hear it except in Australia?

MR. SMITH: Shortwave to Australia and New Zealand.

H.M.JR: Will they play this music - "waltz me around" -

MR. BERNSTEIN: Matilda-- (Laughter)

H.M.JR: If you let Bob and me sing that, it will be good. Bob sings a little off key, and I do, so it sounds like close harmony. (Laughter)

MR. SMITH: Could start off with that. Do you need Albee? He is coming today.

H.M.JR: Let me see George.

MR. SMITH: He will be here sometime this afternoon to talk about this and War Loan speeches.

I am wondering if we ought to try to tie up "We the People" on Sunday the 12th, and perhaps "March of Time" on the 16th for you.

H.M.JR: You and George come in at three-forty-five.

MR. GASTON: Would you set up under Fred a speakers' bureau to coordinate this Treasury speaking?

H.M.JR: No, sir. He is only here to look after me personally - my relations with the Treasury. I don't want to water him down.
MR. GASTON: I wish you would set it up some way.

H.M.JR: That is all right. I appoint a committee of you, Bell, and Gamble.

MR. BELL: To do what? To look after the speakers' bureau or to make recommendations? (Laughter)

H.M.JR: To set up a speakers' bureau and evidently to take it away from Herbert. (Laughter)

MR. PAUL: I would like to get that definitely settled because I have about six or eight letters--

H.M.JR: I personally think it should be in the office of the Administrative Assistant. (Laughter)

MR. GASTON: It is a public relations problem. It is tied in with all your publicity, and so on. It is a definite part of public relations.

H.M.JR: Well, I will make it Bell, Smith, Gamble, and Gaston on the committee, provided it doesn't come under Smith.

MR. SMITH: Let's put it under Chick Schwarz' department upstairs.

H.M.JR: Well, anyway, the committee should not function in this room. (Laughter)

MR. ELOUGH: Since seeing you last I spent a little time on the farm, and if you want abuses of coupons, there is a very good place to go. They don't need their red coupons because they have their lockers and they don't need their blue coupons because they put their vegetables in their lockers; so they have oceans of coupons to use. We had meat three times a day and everything was perfectly legal and wonderful.

H.M.JR: Listen, boy, I live on a farm, too. You are not getting personal, are you? (Laughter)
MR. BLOUGH: No, this was Indiana.

H.M.JR: Believe me, we have some trouble on our farm getting coupons. I mean our house there and here - it is some job. Well, anyway, you are looking well.

MR. BLOUGH: Marvelous not to be bothered for two weeks from the office. First time it has happened in five years. (Laughter)

H.M.JR: Well, we are learning.

MR. BERNSTEIN: I have nothing, Mr. Secretary.

H.M.JR: I have something for you. I have got a whole list for you, young fellow. Make a note; I want to talk with you about this letter - Mrs. Klotz will give it to you - about Chinese gold. I want to talk to you about why we haven't heard from England on Lend-Lease in reverse.

And I would like you, if you understand it, to explain to me what I signed about the way we sell this silver, which I can't understand. I mean, this peculiar manner of selling silver.

MR. PAUL: Didn't you get my crystal-clear memorandum? (Laughter)

H.M.JR: I still don't understand it.

I will give you (Bernstein) a time now.

MR. BELL: They ought to have a few days on that gold before transfer is made.

H.M.JR: Not to rush myself too much, I will see Bernstein at ten-thirty. Do you want to bring anybody in with you?

MR. BERNSTEIN: I may have to bring someone on Lend-Lease in reverse.

H.M.JR: Yes, Miss--
MR. BEHSTEIN: Miss Kistler.

H.M. JR: Bring in Miss Kistler.

MR. BELL: The Federal Reserve Board and FDIC have gotten together on the interest rates on savings accounts. They are going to reduce the rate from a maximum of two and a half down to one and a half.

H.M. JR: My gawd! After how many years?

MR. BELL: They couldn't get Leo to agree to it.

H.M. JR: Give Leo another job and maybe we can get them to agree on a lot of things.

MR. BELL: They want to announce it today. I suppose we ought to call Postal Savings first. They are the ones who are going to kick.

H.M. JR: No insured bank can charge more than one and a half?

MR. BELL: That is right, and many of the banks are down below that.

MR. GASTON: You mean can't pay interest on savings over one and a half?

MR. BELL: That is right.

MR. GASTON: Nobody is paying over two, are they?

MR. BELL: I think some of the western banks are still paying two.

H.M. JR: Have we the authority to change interest rates on Postal Savings?

MR. BELL: No, but they have to come within that maximum rate.
H.M. JR: Do they?

MR. BELL: The banking act of '35 brought them within that range.

H.M. JR: Explain that to me.

MR. BELL: Well, they pay two percent, but if the rate fixed by the Federal Deposit Insurance and the Federal Reserve Board is less than two percent, then they have to pay that.

H.M. JR: That is good for our War Bond drive.

MR. BELL: And also they have to come within the State range. In New Jersey, you recall, about two years ago they reduced their rate to one percent and Postal Savings had to drop to one percent in that State.

H.M. JR: What about these two percent demand certificates that we give these various institutions?

MR. BELL: It doesn't affect Government securities.

H.M. JR: No, but we pay them two percent on money they have on deposit with us.

MR. BELL: No, that is a two percent depository bond, so it doesn't affect - these rates don't affect Government securities.

H.M. JR: I am paying FDIC for the money they leave with me on demand two percent, and I am paying Postal Savings two percent. Why not drop that to one and a half?

MR. BELL: Could very well.

H.M. JR: I would do it as of the first of August.

MR. BELL: We will take a good many of those securities out and put them in the two's and two and a half's in September.
H.M. JR: I still would do it. It is good business.

MR. BELL: It is in line.

H.M. JR: I would do it as of the first of August.

Sold?

MR. BELL: Yes. We are having a little trouble with it, but it is all right with me.

H.M. JR: What else?

MR. BELL: That is all.

H.M. JR: Charles?

MR. CHARLES BELL: I have nothing to report. Everything is in good shape.

H.M. JR: Are you ready for inspection over there?

MR. CHARLES BELL: You will--

H.M. JR: When I go over there tomorrow--

MR. CHARLES BELL: You will find things in pretty good shape. There is still a little spotting around of furniture.

H.M. JR: I am surprised you did it as quickly as you did.
July 27, 1943

My dear Henry:

I have read your Detroit speech, every word of it, and I want to congratulate you. It is sound, direct, and to the point. To my way of thinking it was an inspirational performance. I hope you have some more like it up your sleeve, because it is my feeling that you can render real service to the country by talking straight from the shoulder about things that are wrong, and creating confidence and hope in the things that are right.

I also think the liberals in the country need the bolstering that this will give them.

Sincerely,

(Signed) Henry

The Vice President  
The Capitol  
Washington, D. C.

FS:mlf  
7-27-43
Hello.

Mr. Burgess. Go ahead.

Randolph?

Hello Henry.

You can have Bruce Barton and you can use my name any way you see fit.

Thank you very much, Henry. I don't know whether I can get him but I'm - I appreciate that very much.

Okay. If you need any help, let me know - I'll call him.

Thank you very much indeed.

All right. Good luck!

Thank you very much. Good bye.
Expenses of Loans A & E

July 27, 1943

Honorable Bruce Barton,
383 Madison Avenue,
New York, N. Y.

Would appreciate it if you will do the job Randolph Burgess has discussed with you.

H. MORGENTHAU, JR.
SECRETARY OF THE TREASURY

(Initialed) D. W. B.
Hello. 
Secretary Ickes.
Hello.
Go ahead.
Hello. Harold?
Yes, Henry.
Good morning. Harold, you invited me for lunch tomorrow....
Yes.
....and I feel kind of out of my depth in organic law.
(Laughs) We aren't going to talk about organic law; we're going to eat food.
I mean....
It's one of those things you don't have to come to if you don't want to, Henry.
Well, I figured - I mean you were sort of inviting me because I had invited you.
No, it was - well, there was a conflict but I've - I want some of these native Puerto Ricans, you know - I want them to feel that there's a little attention being paid to them.
Oh.
This is - this is an official duty thing.
Well, if it means anything at all, I'll come but if it doesn't I'd rather beg off.
Let's see what I've got on that list....
You'd be....
If I have one or two other Cabinet officers....
Have you got some other stuffed shirts like myself?
I: I'll see. (Aside: Bring in a list of those who have accepted for luncheon tomorrow, will you?) I'll have it in a second.

HMJr: (Laughs)

I: How is Mrs. Morgenthau?

HMJr: She - we moved her up Saturday and she stood the trip fine and I think she is really on her way to recovery.

I: She's had a pretty serious time, I hear.

HMJr: Terrific. Terrific.

I: Too bad.

HMJr: She's all right now, I think.

I: Well, that's good. (Aside: Got any member of the Cabinet who accepted here?) Yeah, Frank Knox has accepted.

HMJr: Well, is that - is that good enough?

I: The Attorney General....

HMJr: Oh, there you are.

I: Why, that's - no, you don't have to come, Henry.

HMJr: All right. Now, do you - do you want to eat with me Thursday?

I: Yes.

HMJr: What?

I: Yep.

HMJr: Thursday?

I: Yep.

HMJr: One o'clock?

I: One o'clock.

HMJr: Wonderful.
I: All right.

HMJr: Thank you very much.

I: Good bye.
July 27, 1943
12:10 p.m.

CHINA PURCHASE OF GOLD; LEND-LEASE IN REVERSE; SILVER;
BANK OF MARTINIQUE

Present: Mr. Bernstein
Miss Kistler

H.M.JR: Let's start with the Chinese business first. This business of the credit of two hundred forty that has been allocated for special purposes, what does that mean?

MR. BERNSTEIN: They have in the past received two hundred and forty million, of which forty million was used to purchase gold and which they kept in New York. You recall when they settled their stabilization agreement with us they sold the gold instead of using part of the funds under the China Aid.

We felt - you felt, particularly, that it would be wiser to have them pay off the stabilization arrangement with the funds set up for the purpose. The other two hundred million has been used for the purpose of acquiring securities which are kept with the Federal Reserve Bank of New York, and they are the basis for the--

H.M.JR: Wait a minute - I have got to refresh my memory. I am awfully stale on this. They took forty million out of the five hundred to pay for the stabilization fund?

MR. BERNSTEIN: No, sir, they paid that off with gold that they had; then replaced the gold they had by buying new gold.

H.M.JR: Which they still have?
MR. BERNSTEIN: Yes, sir.

They later took two hundred million out of the China Aid and bought securities in New York, on the advice of Mr. Bell as to the type of securities, and so forth. At the same time they began to issue these certificates in Chungking. In a sense that two hundred million dollars is earmarked for the purpose of meeting at maturity the securities issued in Chungking.

H.M.JR: Now they want two hundred million dollars. I don't see how the hell - how can we keep them from letting them have it under the--

MR. BERNSTEIN: We can't, except there is the provision that the Secretary of the Treasury would consult with them as to the best method of using these funds for the benefit of China.

H.M.JR: Could we do this, tell them they should draw it as they can ship it?

MR. BERNSTEIN: Yes, sir, we could very well do it.

H.M.JR: Because believe me, a million dollars weighs a ton - until they get that thing shipped why not tell them to draw on us as they can ship it.

MR. BERNSTEIN: We had prepared - we had a note from Mr. White saying that is what you wished and we had prepared this reply.

H.M.JR: Did I say that?

MR. BERNSTEIN: Yes, sir.

(Letter addressed to the Ambassador of China handed to the Secretary, copy attached.)

H.M.JR: That is all right. (Letter signed) That takes care of that.
What is the next thing?

MR. BERNSTEIN: You wanted to speak of the reciprocal Lend-Lease.

H.M.JR: Yes.

MISS KISTLER: We haven't heard from Winant with respect to the cable.

H.M.JR: Have you got that cable?

MISS KISTLER: Yes. (Copy of cable dated July 10 to Mr. Winant handed to the Secretary.)

H.M.JR: If you are not prepared - I want to talk with you (Bernstein) about how they turned us down on looking into the Bank of Martinique.

We haven't heard from the English, either?

MISS KISTLER: No. Halifax is still out of town, isn't he?

H.M.JR: Yes, but he has somebody there.

What is the date, July 10?

MISS KISTLER: July 10. We were going to - you asked us to send a fellow; then it was confused because of the delay on this. I understand that Lend-Lease has a man over there, Edward Acheson - Dean Acheson's brother - who has been sent to London to handle this.

H.M.JR: Supposing we write something like this - you prepare it for me - to Winant: "Referring to my cable No. 4206, am disappointed that I have not had a reply from you. Would appreciate your personally seeing the Chancellor of the Exchequer and inform him that I would like to have a reply - I would like to have a yes or no as to whether or not they will give us between two and three hundred million dollars in raw materials in the form of Lend-Lease in Reverse."
MISS KISTLER: "Within the coming year" I think we had better add.

H.M.JR: And I would say, "See the Chancellor of the Exchequer at your earliest convenience." I wonder if I should include Harriman in that.

MR. BERNSTEIN: The other cable went to Harriman?

MISS KISTLER: No, it went to Winant.

H.M.JR: I am going to leave it with Winant. After all, Harriman isn't there representing me.

MISS KISTLER: If you don't mention Harriman, then the State Department cannot omit Winant.

H.M.JR: I think I would send it just like that. That is a good sharp cable.

MISS KISTLER: Would it be too sharp in view of the fact that all you had asked Winant in the previous cable - all you had said was, "I would appreciate anything you can do to speed a reply."

H.M.JR: This is dated July 10 - this is July 27.

MISS KISTLER: I am wondering whether the previous cable had put the responsibility on Winant as Winant had received it.

MR. BERNSTEIN: Modify it; say, "Disappointed that we have had no reply."

H.M.JR: No. Don't water it down; leave it as it is, please. Don't change it.

MISS KISTLER: When we write to Casaday sometime, we can ask Casaday to explain to Winant - I mean, later.

(The Secretary held a telephone conversation with Lord Halifax's secretary, as follows:)

Regraded Unclassified
July 27, 1943
12:20 p.m.

HM Jr:
Hello.

Operator:
Lord Halifax is away and Sir Ronald Campbell is in charge but he is at the State Department. They don't expect him back until after lunch. I have Lord Halifax's secretary on the line.

HM Jr:
I'll - is it a man?

Operator:
No. It's a woman.

HM Jr:
Well - uh - I'll talk to her.

Operator:
All right.

HM Jr:
Hello.

Miss Green:
Yes, Mr. Secretary.

HM Jr:
This is Mr. Morgenthau speaking.

G:
Yes.

HM Jr:
Would you give this message to whoever is in charge....

G:
Yes.

HM Jr:
....that I am very much disappointed that I have not had some reply from the Chancellor of the Exchequer in regard to letting us have between two and three hundred million dollars worth of raw materials in lend-lease in reverse. Have you got that?

G:
Indeed, yes.

HM Jr:
Now, I talked with Lord Halifax about it. He said he'd send a cable. You can look it up.

G:
Yes, I - I remember that you did - he did....

HM Jr:
It must be several weeks now.

G:
I can't understand that either, Mr. Secretary. Let me pass that message on to Sir Ronald Campbell and I am sure he will find out what's happened and let you know.

HM Jr:
I mean I ought to get some kind of an answer.

G:
Yes. Certainly I will....
HMJr: And I'm - I mean I just - I wish you'd tell him I'm really upset about it.

G: Yes, I will. I will do that. Certainly, Mr. Secretary.

HMJr: Thank you.
H.M.JR: Let's get one out.

MISS KISTLER: I will get it out this afternoon.

H.M.JR: Let's get it out before lunch.

Wouldn't it be better to send it to Mr. Hull? I want to bring it to his attention.

MR. BERNSTEIN: We could transmit it through him.

H.M.JR: Take this thing to the Secretary of State. "You will see from my enclosed cable to Ambassador Winant that I am disappointed in not having heard from him. If you see fit, I would appreciate your adding a word of your own, putting pressure on Winant to get an answer for me. Yours sincerely." I think we will do it that way.

When you get that ready - when it is ready bring it back yourself. I think we will send it right to Mr. Hull.

MISS KISTLER: Right.

(Miss Kistler left the conference.)

MR. BERNSTEIN: On the silver, even before this law was passed the WPB discussed with us - the General Counsel's office and Monetary Research - the technique for the sale of Treasury silver under this new law. The proposal was to minimize the types of control that will be needed if Treasury silver goes into the market - that is to say, the types of control needed under OPA and under the WPB.

It was felt - and we agreed with them - that if we could confine the use of Treasury silver to four big producers of essential goods it would be the least troublesome in controlling it. That is what they propose to do. WPB will recommend to the Treasury that silver be made available - Treasury silver at seventy-one point eleven cents an ounce to four large users of silver.
The Treasury will then make a contract to provide silver under the terms of the law to these distributors and producers, who will be few in number, comparatively speaking, and the Treasury can cancel the contracts at any time. From time to time the WPB will notify these users of silver to come to the assay office in New York, get the silver, and pay seventy-one point eleven cents an ounce, plus three-hundredths of a cent for transport costs.

In the meantime, OPA will arrange that these producers of essential goods be allowed to raise the price of their product to absorb the difference between the forty-five cents and the seventy-one cents. This had just been done, apparently, on Thursday.

H.M.JR: You are going to let them raise the price?

MR. BERNSTEIN: Yes, sir, so that the producers will be in the same position.

H.M.JR: Relatively?

MR. BERNSTEIN: Relatively speaking. Their profits will remain unaffected. On Thursday the WPB will issue the order confining these four industries to Treasury silver. They can't deal in any other silver than our silver.

H.M.JR: Who are those four?

MR. BERNSTEIN: They are the fabricators of solders, of bracing alloys - nearly all of it goes directly into--

H.M.JR: Handy and Harman one of them?

MR. BERNSTEIN: They will be a distributor. The industries themselves will be just four industries.

H.M.JR: Does that mean people who make silver spoons?

MR. BERNSTEIN: No, they can't get it.
H.M.JR: It is really people in the industry for war work?

MR. BERNSTEIN: Pretty nearly, except that some work may be non-war work and still be essential. The OPA order will take care of the problem of doing justice to these industries in compelling them to take seventy-one-cent silver instead of the forty-five-cent silver they have a right to.

But they want one further safeguard - these industries do - they want to be sure that if they buy seventy-one-cent silver then when the war ends if they have inventories they will not be stuck with it. We have talked it over at great length and cleared - and talked to Mr. Bell, also the Mint and the Bureau of Accounts - and these safeguards we propose to make. The contract--

H.M.JR: I won't go into all that.

One other thing - what about this thing at Martinique?

MR. BERNSTEIN: On Martinique, Ball went down from Foreign Funds. He was instructed to see if an inventory could be made of the gold there, and also to look into the problem of bank accounts.

Hoppenot, with whom Mr. White had spoken in the past - he is one of Giraud's representatives up here - has refused to allow the inventory to be made. He said it would be a reflection of a lack of control of the French over their own affairs in Martinique. He will communicate - Hoppenot - with the authorities in North Africa, but he will not himself recommend it. He will oppose it, in fact, taking the inventory.

In the meantime, an inspector of the Bank of France is coming down there, and he will probably take an inventory. It is hoped that perhaps Ball can stand by with him when the inventory is taken.
H.M.JR: Does the State Department know anything about this?

MR. BERNSTEIN: Yes, sir, they have been fully informed. We sent them a memorandum.

H.M.JR: How high up?

MR. BERNSTEIN: Mr. Feis was the man White dealt with on this question.

H.M.JR: Is it Giraud's people?

MR. BERNSTEIN: Hoppenot is Giraud's man.

There has also been a cable on inspecting the bank accounts. They have refused to allow them to do that.

H.M.JR: Is there anything Giraud wants from us that we could tighten up on him?

MR. BERNSTEIN: There are transfers of funds that we could tighten up on, but not without causing a backfire from Murphy's people in North Africa. That is the most direct control we have over them, the accounts of the State banks of North Africa in New York.

H.M.JR: Do they have to be replenished?

MR. BERNSTEIN: They are replenished automatically when the Army gets funds over there. We don't have to license the replenishing of them, but the use of them you do.

H.M.JR: What is Hoppenot's position?

MR. BERNSTEIN: He was attached to the Financial Mission.

(The Secretary held a telephone conversation with Mr. Hull's secretary, as follows:)

Regraded Unclassified
Hello.

Secretary Hull has the newspaper men with him but I have Mr. Stone, his secretary.

That's all right. Hello.

Good morning, Mr. Secretary.

Hello, Mr. Stone.

The Boss has Bill Hillman of the Colliers in there and I don't think he'd be able to speak very freely with you, sir.

Well, I can tell you - you can pass it on.

I'll be glad to, sir.

It's in regard to our sending our man down to inspect the Bank of Martinique....

Yeah.

....and the French have turned us down. They give us this talk - it's a reflection on their authority and all the rest of that talk.

I believe I saw that telegram, sir.

Now, we've kept Herbert Feis informed and I wondered if Mr. Hull couldn't help us.

I'll put it before him just as soon as I can, Mr. Secretary.

Will you?

Yes, sir.

And you might let me - he might....

I'm sure he will want to call you on it....

Will you?

....just as soon as he has a chance to look into it, sir.

Yeah. But tell him - he knows - I mean - whose account we're looking for, you see?
S: Yes, sir. Right.

HMJr: And it's silly to believe that the French themselves will turn it up.

S: Right.

HMJr: Will you bring it to his attention?

S: I'll gladly do it, Mr. Secretary, right - as soon as this other fellow leaves.

HMJr: That's right. Thank you.

S: Thank you, sir.
MR. BERNSTEIN: The French claim that on transfer of funds from metropolitan France there have been relatively few, and only three of as much as a million francs. All they wanted to do was to tell us that no collaborationist is involved, but they will not let us inspect the accounts ourselves.

H.M.JR: I am not going to leave a stone unturned. Hull won't do anything, either.

O.K.
Your Excellency:

This is to acknowledge receipt of your letter of July 24, 1943 transmitting telegraphic message from Dr. H. H. Kung dated July 23, 1943.

Please transmit the following reply to Dr. Kung:

"The Treasury agrees to the request of the Government of China transmitted to me by Ambassador Wei Tao-ming that $200 million be made available from the credit on the books of the Treasury in the name of the Government of the Republic of China for the purchase of gold.

In order to avoid unnecessary raising of funds by the United States Treasury, it is suggested that transfers from the credit of the Chinese Government for the purchase of gold be made at such time and in such amounts as are allowed by existing facilities for the transportation to China of the equivalent amount of gold. Since it is intended that this gold will be sent to China for sale to the public, this procedure should not interfere with the program outlined in your message of July 23, 1943.

On receipt of requests from the Government of China that a specific amount should be transferred from the credit of the Government of China on the books of the Treasury and be used for the purchase of gold, the necessary action will be taken to consummate these requests. The details of the arrangements will be discussed with Dr. P. W. Kuo and Mr. Hsi Te-mou."

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

File ret. to White's office - Photo of incoming and copy of reply in Diary.

His Excellency,
The Ambassador of the Republic of China, Washington, D. C.

ISF/ff
7/26/43
CHINESE EMBASSY
WASHINGTON

July 24, 1943

My dear Mr. Secretary:

I have the honor to inform you that I have just received from Dr. H. H. Aung, Minister of Finance, the following telegraphic message, dated July 23, 1943, for transmission to you:

"The Chinese Government greatly appreciates the financial aid accorded to China by the U. S. $500,000,000 credit of last year. Of this credit U. S. $240,000,000 have been allocated for special purposes. In order to strengthen China's monetary situation and check inflation, which are included in the objects for which the credit was established, the Chinese Government now requests the transfer of an additional sum of U. S. $200,000,000 from the credit for the purchase

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
purchase of gold. It is intended to transport the gold to China to be sold in order to withdraw currency from circulation and thus help to check the price increase. Prolongation of the war in China into the seventh year brings constantly growing strain and difficulty, and the Chinese Government will greatly appreciate your kindly acceding to this request. I have authorized Dr. F. W. Kuo and Mr. Hsi Te-mou to discuss with you the detailed arrangements."

I am, my dear Mr. Secretary,

Very sincerely yours,

[Signature]

Wei Tao Hung
July 27, 1943

My dear Mr. Secretary:

You will see from the enclosed cable to Ambassador Hinant, that I am disappointed in not having had a reply to my cable, No. 4206 of July 10, 1943.

If you see fit, I would appreciate your adding a word of your own urging him to press for an early reply.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable;

The Secretary of State.

Enclosure

File returned to Miss Kissler in Dr. White's office.
Copy of ltr. and cable in Diary.

BM: 7/27/43
Cable to be transmitted to Ambassador Winant from Secretary of the Treasury.

Referring to my cable No. 4206 of July 10, 1943
I am disappointed that I have not yet had a reply from you. I would appreciate your personally seeing the Chancellor of the Exchequer at your earliest convenience and informing him that I would like a "yes" or "no" to the question whether or not they will supply us with between $200 and $300 million of raw materials during the coming year in the form of lend-lease in reverse.
My dear Mr. Secretary,

I duly received your message of this morning on returning to my office, and I hasten to let you know that though I have as yet no instructions I happen to know that the matter which formed the subject of your message is under active consideration in London. Indeed I expect to be informed of the views of my Government within a very few days.

In the meantime I have telegraphed to Mr. Eden to let him know of your anxiety for the earliest possible reply.

Believe me,

My dear Mr. Secretary,

Very sincerely yours,

[Signature]

Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.
Ed
Stettinius: Hello, Henry.

HM Jr.: Hello.

S: Ed Stettinius.

HM Jr.: Ed.

S: Yes, sir.

HM Jr.: I wondered whether you had heard anything on lend-lease in reverse from the English.

S: Got a cable last night from Harriman....

HM Jr.: Yes.

S: ....saying that - now, you're talking about raw materials rather than--which are you....

HM Jr.: I'm talking raw materials.

S: Oh, no - raw materials - I have not heard anything and I have been waiting word just hourly.

HM Jr.: Well, I sent a cable today via Mr. Hull to Winant - saying would he - I was disappointed - I hadn't heard from him....

S: Good.

HM Jr.: ....and would he please see the Chancellor of the Exchequer as soon as possible and I wanted a "yes" or "no".

S: Good.

HM Jr.: And then I asked Mr. Hull wouldn't he add his own word to it putting additional pressure on Winant.

S: Fine, Henry.

HM Jr.: Now, I addressed myself to Winant rather than to Harriman....

S: That's better.

HM Jr.: ....because it seemed to me that - I mean....
S: That's....
HMJr: Well, Harriman....
S: That's the way it ought to be done.
HMJr: I mean Harriman doesn't work for me.
S: Of course not.
HMJr: I take it he works for you.
S: (Laughs) Well, you see, I've got Ted Acheson, Dean's brother, there, too.
HMJr: Well, but this - this, I think, is the right way to do it.
S: I'm sure it is.
HMJr: Then besides that I called up the British Embassy - nobody was there and I got Halifax's secretary and I said, "Do you know about this cable of several weeks ago?" She said, "Yes." Then I said, "Well, I can't understand why I haven't had an answer and I'd like one and you might tell them that I am upset over it."
S: Fine, Henry.
HMJr: So....
S: This is most helpful.
HMJr: Now, I spoke to the President last night and I said if I didn't get an answer in a few days would he send a cable to Churchill and he said he would.
S: Good. Fine.
HMJr: So, I just wanted to let you know I had not forgotten about it.
S: Thank you, sir. It's most helpful.
HMJr: But this was a pretty direct cable to Winant - I mean it bordered on being curt....
S: Good.
HMJr: But still it was polite.
S: Good. Thank you, sir.
HMJr: All right. Hello.
S: Yeah.
HMJr: If you hear anything, let me know.
S: I will, Henry. Now, while we're on the phone I might tell you that they're ready to give us their estimates of what - of the reverse lend-lease....
HMJr: They are? Well, good.
S: ....and it's just a matter of timing now as to whether the - Kingsley Wood makes a speech on July 31st as Parliament arises to go on its summer holiday....
HMJr: Yeah.
S: ....or whether he does it later.
HMJr: Well, he's going to get a message from two directions from me within the next forty-eight hours.
S: That will be fine.
HMJr: Okay.
S: How is your wife?
HMJr: Oh, she arrived up home and stood the trip beautifully and we are very much pleased the way things are going.
S: Oh, that's fine. I feel very great - gratified for you.
HMJr: Thank you.
S: Righto.
July 27, 1943
2:19 p.m.

* * * *

Dr. Ephraim Shorr:

(Laughs) Why, sending - addressing it to me but making the check out to Cornell University.

HMJr:

Cornell University?

S:

Yes.

HMJr:

Well, I know that Elinor will be delighted to do that.

S:

And....

HMJr:

To be used for research?

S:

Well - what you do is you just send me, if you wish, a little note saying that you are sending this in as your contribution to research work going on under my direction.

HMJr:

I see.

S:

And - but the check is to be mailed to - is to be made out to Cornell.

HMJr:

To Cornell University but I address the letter to you.

S:

And you take that off your income tax.

HMJr:

Listen, don't be funny, fellow.

S:

(Laughs)

HMJr:

(Laughs) But anyway you know that we appreciate tremendously what you did.

S:

I know, and I am so delighted. You know I was really in a - I was so unhappy about that.

HMJr:

Yeah.

S:

Elinor was such a good sport....

HMJr:

Yeah.

S:

....and yet she had everything that I could think of that could have....

(Remainder of conversation not recorded)
cc-Mr. Chas. Bell.

July 27, 1943
3:22 p.m.

HMJr: Hello.
Operator: Mr. Mack.
HMJr: Hello.
Clifton Mack: Hello.
HMJr: Cliff.
M: Yes, sir.
HMJr: Secretary speaking.
M: Yes, sir.
HMJr: Cliff, on this disposal of these NYA Centers - resident centers....
M: Yes.
HMJr: How does it stand for Dr. Parran to get some of them?
M: Well, it's down the line a little bit.
HMJr: Down the line in your organization?
M: It's down the line insofar as priority is concerned.
HMJr: Well....
M: The first lot of NYA property goes to the schools.
HMJr: What schools?
M: Vocational schools for training the boys in trades, and the next lot goes to Army, Navy and so on.
HMJr: Well....
M: And he would follow - he would follow those first two categories.
HMJr: Well, who sets up those priorities?
M: That was set up in the legislation.
HMJr: In the legislation?
M: Yes, sir.
HM Jr: Oh.
M: That was an amendment that was tacked onto the second deficiency act.
HM Jr: Oh, that's in the legislation?
M: Yes, sir, and I have - well, as a matter of fact, we are drawing up right now the procedure based on those regulations.
HM Jr: Well, you think he comes third, then, under the legislation?
M: Yes. He would come third, yes.
HM Jr: Well, is he going to get any chance to get any of it?
M: Oh, I think so because, as a matter of fact, the kinds of things that he would be interested in, I imagine, would be dormitories for the segregation of women or for health purposes....
HM Jr: That's right.
M: ....and things like that.
HM Jr: That's right.
M: Therefore, that wouldn't interfere with the schools. They are getting machine tools and things for training boys.
HM Jr: Well, I think what Dr. Parran is doing is terribly important....
M: Yes.
HM Jr: ....and I'm interested myself.
M: Yes.
HM Jr: So, see what you can do and let me know, will you?
M: I'll be happy to do it.
HM Jr: He could use about a dozen.
M: Of the dormitories?
HM Jr: Yeah, the dormitories.
M: Very good. I'll dig into that and....
HMJr: Take a look at it yourself and let me know in the next day or so.
M: I'll get you over a memorandum.
HMJr: Walk it over.
M: All right, fine.
HMJr: Walk it over.
M: Very good.
HMJr: Thank you.
M: Yes, sir.
July 27, 1948

Fred Smith

Secretary Morgenthau

I notice that we have been getting some rather bad publicity in connection with the auto use stamp. Would you please look into this.
I promised the press that I would give them some indication of the impact of withholding upon War Bonds by July 15.

I find that it is too early to do this through any statistical procedure. We know that more War Bonds are being sold this month than last. Through July 20, sales amounted to $491 million, as against $468 million for the same period last month. This indicates that withholding certainly has not had any serious effect, although there are so many factors concerned in the sale of War Bonds during any short period that no sound conclusions can be drawn so early.

The Treasury Payroll Savings group tells me that they have had only one letter that would indicate difficulty arising out of withholding. That was from a mine group which was, of course, having other abnormal difficulties in addition to withholding. They tell me that in many cases the employers and labor management committees running payroll savings drives were able to capitalize on withholding as a sales promotion instrument. The Warner and Swasey factory in Ohio, for example, promoted the idea that withholding made it easier for people to figure out how much they could put into bonds and as a result, they raised participation 40%.

I also understand that 400 individual payroll drives were inaugurated in Indiana immediately upon the heels of withholding, and every one is proving successful.

I have asked a group of our State Chairmen what they think about the effect of withholding on bond buying, and here are their replies.

Randolph Burgess, State Chairman, New York:

"I don't think withholding will bother us in New York. It is still too early to tell, but I really don't believe that the effect will be serious."
Gene Pulliam, State Chairman, Indiana:

"We put on a campaign to meet the tax situation and it resulted in increased Bond purchases."

Frank Isbey, State Chairman, Michigan:

"The effect on those who have received their pay with the tax deducted has been nil. The general feeling as soon as they understand pay-as-you-go is that there is no need to stop bond buying. We have been telling them that pay-as-you-go is the real four freedoms—freedom from worry on those four income tax dates."

George Potter, Vice Chairman, New Jersey:

"There has been no difficulty as yet except from a few small plants. As soon as the employees are given a clear understanding of the withholding tax they are ready to go right ahead with Bond buying."

Ellsworth Roberts, State Chairman, Pennsylvania:

"I have no information on the effect of withholding as yet. We don't expect to have any idea as to results until the end of the month."

Roy Moore, State Chairman, Ohio:

"We don't know yet what will happen. Our payroll man told me he didn't think it would have much effect."

Norman Collins, Vice Chairman, Illinois:

"I can't tell you anything on that. So far I have not heard anything one way or another."

It may also interest you to know that we have not encountered any mechanical difficulties in handling this tax.

I have checked several people in the Internal Revenue Bureau and find that they are all in agreement that withholding has not caused any serious problems.

Mr. Norman Cann, Special Assistant to the Commissioner:

"The Bureau's information indicates that withholding was placed in effect with the maximum of cooperation from employers and wage and salary earners. It is evident that the public recognizes the advantages of withholding."
Mr. Timothy Mooney, Deputy Commissioner:

"The overall picture is that withholding was placed in effect very smoothly. Employers and to some extent employees had been prepared for it by the Victory tax. The only differences were the larger withholding rate and the new exemption scheme."

Mr. Charles Suman, Executive Accountant and Auditor:

"The volume of letters received by the Income Tax Unit has averaged 850 a week for the last month. Most of the letters we are getting now are merely requests for information. There are comparatively few kicks and complaints. The letters come from employers as well as employees, and they come from everywhere and from all manner of people."

Mr. G. J. Schoeneman, Deputy Commissioner:

"The fact that the Accounts and Collections Unit has had very few complaints is the best evidence that withholding was placed in effect with little difficulty. There were a few cases of temporary trouble such as that at a Washington laundry, but they were isolated. We found that in most of these cases, the trouble was caused by husbands claiming the full amount of the married person's exemption when filling out the Employee's Withholding Exemption Certificate. Their working wives then had 20 percent withheld from the full amount of their pay, and as a result, some of them hit the ceiling. The trouble ended, however, as soon as the situation was explained to them.

"Generally speaking, the withholding program seems to have been well understood. This indicates our educational campaigns were effective. In a great many cases, excellent educational work was done by employers, and this was most helpful."
My dear Mr. Secretary:

Your letter of July 22, regarding the date on which the Committee shall begin hearings on the tax bill and also stating that you will begin your War Loan Drive on September 9, has been received.

I certainly would not want our Committee to do anything that would in any way interfere with your program for the sale of bonds, and we will time the beginning of our work to suit your convenience.

I expect to be in Washington next week and will confer with you while there and we will arrange our work in a way that will be satisfactory to you.

With my kind personal regards, I am,

Very sincerely yours,

[Signature]

Honororable Henry M mergenthau, Jr.
Secretary of the Treasury
Washington, D. C.
UNITED STATES OF AMERICA

TREASURY SAVINGS NOTES

Series C

1943
Department Circular No. 696
Second Amendment

Treasury Department,
Office of the Secretary,

1. Paragraph 1 (a) of Section V of Department Circular No. 696 (7 F.R. 7260), as amended (8 F.R. 8684), is hereby further amended to read as follows:

"1. General.—(a) Any Treasury Savings Note of Series C not presented in payment of taxes, will be paid at maturity, or, at the option and request of the owner and without advance notice, will be redeemed before maturity, but the notes may be redeemed before maturity only during and after the sixth calendar month after the month of issue (as shown on the face of each note)."

2. This amendment shall apply to Treasury Savings Notes, Series C, and to notes issued as Treasury Notes of Tax Series C without regard to the date of issue or to the designation of the notes.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, July 27, 1943)
FOR IMMEDIATE RELEASE,                  Press Service
Tuesday, July 27, 1943.                 No. 37-76

Secretary of the Treasury Morgenthau today
announced the subscription figures and the basis of
allotment on cash subscriptions from commercial banks
for their own account for the current offering of 7/8
percent Treasury Certificates of Indebtedness of
Series D-1944.

Reports received from the Federal Reserve Banks
show that cash subscriptions aggregate $5,484,000,000.
These subscriptions were allotted 18 percent, on a
straight percentage basis, with adjustments, where
necessary, to the $1,000 denomination.

Exchange subscriptions, in payment of which
Treasury Certificates of Indebtedness of Series B-1943
were tendered, aggregate $1,559,000,000.

Details as to subscriptions and allotments will
be announced when final reports are received from the
Federal Reserve Banks.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, July 27, 1943.

Press Service
No. 37-77

Secretary Morgenthau announced today that in an effort
to conserve labor, paper and other materials, conclusion
had been reached to reduce the size of the United States
War Savings Bonds - Series E, without change in the terms
of the bonds, or their designation.

The new size will be approximately 7-3/4 by 4-1/4
inches, or about that of the present bond folded once from
top to bottom.

Work will proceed immediately, and it is confidently
believed the new bonds will be available in about two months,
after which they will be issued in regular course as stocks
of the present bonds become exhausted.

A saving of about $1,750,000 a year in paper and pro-
duction costs alone will be realized on the basis of last
year's sales of these bonds.

-000-
My dear Mr. Morgenthau:

I enclose a photostat of a letter from the Cleveland Trust Company in regard to the estate of Dayton C. Miller. You will note that the executors of Dr. Miller's estate have sent us a check in the amount of $11,325.00 covering payment in full of the specific bequest of $10,000.00 plus a proportionate share of a partial distribution of $26,500.00 principal cash, amounting to $1,325.00. A certificate for fifty shares of The Dow Chemical Company, Common, has also been received.

The income of this fund is to be used for purposes connected with the maintenance of the Dayton C. Miller Collection of Flutes as specified in the will.

A copy of the letter has been sent to the Under Secretary of the Treasury. Subject to his recommendation, I recommend acceptance of the bequest for the purposes and under the conditions named by the testator.

Faithfully yours,

Archibald MacLeish
The Librarian of Congress

I vote (in favor of) acceptance of the bequest.

The Honorable
Henry Morgenthau, Jr.
Chairman, Library of Congress Trust Fund Board
Secretary of the Treasury
Washington, D. C.
June 25, 1943

Mr. Verner W. Clapper,
Administrative Assistant to the Librarian
c/o The Librarian, The Library of Congress,
Washington, District of Columbia

Dear Sir:

In re Estate of Dayton C. Miller, deceased

We enclose herewith by registered mail certificate #6024680 for 50 shares
The Dow Chemical Company, Common, representing delivery of your five
percent interest in a holding of 1,000 shares of the stock, constituting
a portion of the remainder of the trust estate held by us under the terms
of the Will of Dayton C. Miller, deceased.

We also enclose our check in the amount of $11,325.00 covering payment in
full of a specific bequest of $10,000.00, plus your proportionate share
of a partial distribution of $26,500.00 principal cash amounting to
$1,325.00.

The above mentioned distribution of stock and payment of cash are in
accordance with Item VII of the Will from which we quote as follows, with
respect to the terms under which these payments have been made.

"After the decease of my said wife, or in event she shall
not survive me, I give and bequeath to the Division of
Music of the LIBRARY OF CONGRESS, in Washington, D. C.,
the sum of Ten Thousand Dollars ($10,000.00). The income
from said fund shall be used in perpetuity and exclusively
for the benefit of "THE DAYTON C. MILLER COLLECTION OF
FLUTES", which is elsewhere in this Will bequeathed to
said Division of Music of the LIBRARY OF CONGRESS. The
Division of Music of the LIBRARY OF CONGRESS is requested
to use the income of this fund for any or all of the
following purposes in relating to the said "THE DAYTON
C. MILLER COLLECTION OF FLUTES": for labeling and cata-
loguing the specimens as a public exhibit; for cleaning
and repairing such specimens as may require such treat-
ment; for the purchase of additional specimens of historic
interest; for the purchase of new instruments of current
make which illustrate new developments of the Flute;
for the purchase of additional books, photographs,
autographs, works of art, music, and any other materials
relating to the Flute which may add to the completeness
and usefulness of the said collection, or parts thereof;
or for the giving of public concerts or recitals of
music in which the Flute is made prominent in such a
manner as to increase the general appreciation of the musical qualities of the Flute, either through the performance of great artists on instruments of current type or by performances on ancient music upon historical specimens belonging to this collection. At the discretion of the Trustees of the fund, any portion of the income may be added permanently to the capital sum.

"Subject to the above provisions and after the decease of my said wife, the trust estate shall be distributed in the proportions given to the persons or institutions hereinafter named:

Five per cent (5%) to the Division of Music of the LIBRARY OF CONGRESS, in Washington, D. C., to be added to the permanent fund for the benefit of "THE DAYTON C. MILLER COLLECTION OF FLUTES", which fund is established under Item VII of this, My Last Will and Testament."

The distributions currently being made will dispose of the larger portion of the trust estate. At a later date there will be a final distribution of cash, the size of which will depend upon amounts collected in inheritance tax refund, accumulated income and miscellaneous small items.

We will appreciate your signing and returning the blue court receipt attached to the check, together with the two copies enclosed of this letter.

Very truly yours,

E. B. Roberts
Trust Officer
27 July 1943.

CONFIDENTIAL

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

Dear Mr. Secretary:

In view of the publicity concerning radar, which has recently appeared in magazines and newspapers, the President has requested me to send you the following directive:

"1. It is the present policy of this Government to suppress the dissemination of information on radar.

"2. You are directed to cause all divisions and agencies under your control, which release information, to comply with the policy set forth above."

Sincerely yours,

WILLIAM D. LEAHY,
Admiral, U.S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.
JUL 27 1943

My dear Mr. Secretary:

This is in reply to your note of July 21, 1943, reference PA, regarding the assignment of Mr. John W. Gunter as Financial Attaché to the American Embassy at Ankara.

I am enclosing two copies of letter addressed to Ambassador Steinhardt regarding Mr. Gunter’s duties and responsibilities. Mr. Gunter has not as yet left this country and because of the delay in his departure copies of the enclosed letter were not forwarded to you at an earlier date.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosure

By Messenger Manus 10:27
File ret. to Dr. White.

Photo of incoming and copy of reply and enclosure in Diary.

ISP/efs 7/27/43
July 14, 1943

My dear Mr. Ambassador:

This is to introduce to you Dr. John W. Gunter who has been assigned to your Embassy as financial attaché.

Dr. Gunter is to assume the regular responsibilities and duties which are performed by financial attachés appointed to various American Missions abroad. Among his responsibilities and duties will be to keep the United States Treasury and other United States government agencies informed regarding monetary and fiscal developments in Turkey, Southeastern Europe and the Middle East. He is, of course, also to carry out such assignments pertaining to financial and monetary matters as you may wish to give him. In addition, he is to carry out such assignments as I may request from time to time and the special assignments about which he will inform you.

It is to be hoped that Dr. Gunter will prove of assistance to you in carrying out your weighty responsibilities as the Ambassador of our Country to Turkey. Dr. Gunter has been instructed to cooperate with you and the staff of your Embassy in every way. His record in the Treasury gives me utmost confidence that he will successfully carry out his duties as financial attaché to your Embassy.

Yours very truly,

/s/ H. Morgenthau, Jr.
Secretary of the Treasury.

Honorable Laurence A. Steinhardt,
American Ambassador,
Ankara, Turkey.
CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and refers to a letter dated June 7, 1943 from Mr. William Thompson, Administrative Assistant to the Secretary, regarding the proposed assignment of Messrs. John W. Gunter and Angel Kouyoumdjisky to Ankara.

The Department of State has approved Mr. Gunter's assignment as Financial Attaché, but has not approved the assignment of Mr. Kouyoumdjisky, for reasons set forth by Ambassador Steinhardt and repeated to Mr. Gunter. Appropriate instructions have been issued to the American Embassy at Ankara.

It is requested that a copy of the letter of instructions issued to Mr. Gunter by the Treasury Department be sent to this Department in duplicate.
Dear Walter:

I have your letter of July 16, 1943, regarding a Foreign Funds Control license to send $5,000 monthly to Mr. Santiago Contieso, Oran, Algeria for distribution among the Spanish Republicans and members of the International Brigade.

The application is being actively considered by this Department together with the other interested Government agencies. You may be assured that the Committee will be promptly advised as to any decision made.

I sincerely appreciate your interest in the matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Walter Rautenstrauch,
Professor of Industrial Engineering,
Columbia University,
New York, New York.

File to Thompson.
Photo of incoming and copy of reply in Diary

AFLinrd - 7/22/43.
July 22, 1943.

MEMORANDUM FOR THE FILES:

I checked with the Foreign Funds Control Administrative staff regarding the application filed by the Joint Anti-Fascist Refugee Committee. They advised me that they were perfectly willing to grant the application, but that as a general policy these matters are always cleared with Governor Lehman's Office of Foreign Relief and Rehabilitation, so that there may be coordination on the subject. Pursuant to that policy, a letter was sent to Governor Lehman regarding this case. His office has advised us that they want to get the approval of their office in Algiers before recommending the approval of this application.

We inquired of OFRRO as to whether it would be agreeable to them if we were to approve the license subject to their approval. They indicated that such action on our part might put undue pressure on them and that they would prefer a letter along the line attached. They emphasized that this very type of problem had been raised at the last meeting of the President's Committee on Relief, and it was decided at such meeting that in all such cases, the field would be consulted before action being taken by OFRRO.

Attach.

AFL:nd - 7/22/43.
July 16, 1943.

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

Dear Henry:

Under date of June 19th, the Joint Anti-Fascist Refugee Committee, under the President's War Relief Control Board, Reg. #639, wrote the Federal Reserve Bank in New York as per copy enclosed. I understand this matter is now being considered in Washington and I would appreciate greatly any action on your part which would assist in expediting this consideration. I wish it were possible for me to inform you fully of the excellent work this Committee is doing for refugees in these trying times. I feel the work of this Committee is very helpful in establishing the great humanitarian principles for which our Government stands.

With very kindest regards,

Sincerely yours,

Walter Rautenstrauch
Professor of Industrial Engineering
June 19, 1943

Federal Reserve Bank
70 Pine Street
New York, N.Y.

Gentlemen:

We are enclosing herewith application for a license to send the sum of $5,000 monthly to Mr. Santiago Contioco, 18 Rue Thiers, Oran, Algeria, our representative in North Africa for distribution among the Spanish Republicans and members of the International Brigade.

We have discussed the question of the sending of these funds with the Office of Foreign Relief and Rehabilitation Operations headed by Governor Herbert H. Lehman. They informed us that if we were to submit the name of a person willing to serve as our representative in North Africa, they would authorize the sending of funds by this Committee to him. We have received the acceptance of Mr. Santiago Contioco to act in this capacity and are, therefore, making application to send the above-mentioned funds to him.

Hoping for your early and favorable consideration of this application, we are,

Sincerely yours,

Edward K. Barsky, M. D.
Chairman

uywya/16
MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended July 24, 1943.

The type of supplies for North Africa now being requisitioned emphasize industrial rehabilitation commodities as compared to civilian supplies heretofore ordered.

Clifton E. Mack
Director of Procurement
LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF JULY 26, 1943
(In Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>U. K.</th>
<th>Russia</th>
<th>China</th>
<th>Administrative Expenses</th>
<th>Miscellaneous &amp; Undistributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocations</td>
<td>$3863.5</td>
<td>$1931.8</td>
<td>$1557.0</td>
<td>$108.4</td>
<td>$10.9</td>
<td>$260.4</td>
</tr>
<tr>
<td></td>
<td>(3958.5)</td>
<td>(1826.8)</td>
<td>(1557.0)</td>
<td>(105.4)</td>
<td>(10.9)</td>
<td>(360.4)</td>
</tr>
<tr>
<td>Purchase Authorizations (Requisitions)</td>
<td>$2910.2</td>
<td>$1566.1</td>
<td>$1190.3</td>
<td>$38.3</td>
<td>-</td>
<td>$115.4</td>
</tr>
<tr>
<td></td>
<td>(2880.1)</td>
<td>(1545.7)</td>
<td>(1161.4)</td>
<td>(40.3)</td>
<td>-</td>
<td>(112.7)</td>
</tr>
<tr>
<td>Requisitions Cleared for Purchase</td>
<td>$2834.5</td>
<td>$1523.4</td>
<td>$1161.0</td>
<td>$38.2</td>
<td>-</td>
<td>$111.8</td>
</tr>
<tr>
<td></td>
<td>(2761.9)</td>
<td>(1500.8)</td>
<td>(1116.2)</td>
<td>(40.2)</td>
<td>-</td>
<td>(104.7)</td>
</tr>
<tr>
<td>Obligations (Purchases)</td>
<td>$2713.7</td>
<td>$1487.1</td>
<td>$1097.0</td>
<td>$38.1</td>
<td>$8.8</td>
<td>$84.5</td>
</tr>
<tr>
<td></td>
<td>(2680.7)</td>
<td>(1471.3)</td>
<td>(1078.8)</td>
<td>(40.0)</td>
<td>(6.6)</td>
<td>(84.0)</td>
</tr>
<tr>
<td>Deliveries to Foreign Governments at U. S. Ports*</td>
<td>$1179.8</td>
<td>$822.9</td>
<td>$325.5</td>
<td>$18.6</td>
<td>-</td>
<td>$12.8</td>
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<tr>
<td></td>
<td>(1169.0)</td>
<td>(817.0)</td>
<td>(320.6)</td>
<td>(18.6)</td>
<td>-</td>
<td>(12.6)</td>
</tr>
</tbody>
</table>

*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 July 14, 1943.
EXPLANATION OF DIFFERENCE.  

The decrease in the Miscellaneous column is a result of a cancellation of a reserve fund of $100,000,000.00. Appropriation Number 20-111/40028 by the Lend Lease Administration.

The reduction in the China Columns is a result of transfer of tire and tubes in storage to the War Department.
With the compliments of British Air Commission
who enclose Statement No. 96 — Aircraft Despatched
— for week ended July 27, 1943.

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

August 2, 1943.
**STANDARD NO. 96**

Aircraft Dispatched from the United States
Week Ended July 27th, 1943.

<table>
<thead>
<tr>
<th>TYPE</th>
<th>DESTINATION</th>
<th>ASSEMBLY POINT</th>
<th>BY SEA</th>
<th>BY AIR</th>
<th>FLIGHT DELIVERED FOR USE IN CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSOLIDATED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberator III</td>
<td>U.K.</td>
<td>U.K.</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberator III</td>
<td>India</td>
<td>India</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberator GR V</td>
<td>W. Africa</td>
<td>W. Africa</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberator GR V</td>
<td>Bahamas</td>
<td>Nassau</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberator GR V</td>
<td>U.K.</td>
<td>U.K.</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| QUINTISS        |                   |                |        |        |                                    |
| Kittyhawk       | New Zealand       | Auckland       | 7      |        |                                    |
| Seamew          | U.K.              | U.K.           | 5      |        |                                    |

| DOUGLAS         |                   |                |        |        |                                    |
| Dakota III      | S. Africa         | S. Africa      | 1      |        |                                    |
| Dakota III      | India             | India          | 4      |        |                                    |

| GRUMMAN         |                   |                |        |        |                                    |
| Tarpon          | Mombasa           | Mombasa        | 7      |        |                                    |

| GLIDDEN MARTIN  |                   |                |        |        |                                    |
| Baltimore V     | W. East           | M. East        | 16     |        |                                    |
| Mariner GR I    | Bermuda           | Bermuda        | 1      |        |                                    |

| LOCKHEED        |                   |                |        |        |                                    |
| Hudson IIIA     | U.K.              | U.K.           | 1      |        |                                    |
| Ventura GR V    | Canada            | Canada         | 17     |        |                                    |
| Ventura         | Australia         | Sydney         | 3      |        |                                    |

| NORTH AMERICAN  |                   |                |        |        |                                    |
| Harvard         | U.K.              | U.K.           | 12     |        |                                    |

| VULTEE          |                   |                |        |        |                                    |
| Vengeance       | India             | Karachi        | 7      |        |                                    |
| Vengeance       | Australia         | Melbourne      | 12     |        |                                    |

<table>
<thead>
<tr>
<th></th>
<th>Totals</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53</td>
<td>47</td>
<td>17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** In Statement No. 95 week ended July 20, Ventura GR V was reported for S. Africa, this aircraft has now been diverted to M. East.

(A) Exported during week ended July 13th.
(B) Exported during week ended July 13th.

British Air Commission,
Movements Division.
July 31st, 1943.
Information received up to 7 a.m., 27th July, 1943.

1. AIR RAID

A Focke Wulf 190 was destroyed and 2 other enemy aircraft damaged by Norwegian Motor Torpedo Boats patrolling in NORTH SEA on 24th/25th. Early 27th our Coastal Forces engaged 5 trawlers off Dutch Coast. 1 Motor Torpedo Boat slightly damaged but no casualties.

2. AIR OPERATIONS

WESTERN FRONT. 25th/26th. ESSEN. 1,948 tons dropped including 9,900 pound and 256,400 pound H.E. and 915 long tons incendiaries. Visibility good but some ground haze and finally smoke hindered observation of results. Marker bombs accurate and highly concentrated attack developed. Whole area covered with thick pall of smoke and many very heavy explosions reported. Defences not up to usual RHUR standard and searchlights lacked coordination. Night fighters active, 2 claimed destroyed. Reconnaissance noon 26th - reported several fires still burning including some in Krupps. Black smoke covered whole north portion of ESSEN.

NOTE: Bomb tonnage given is actual weight verified on return of aircraft and is exclusive of bombs possibly dropped on target by aircraft lost. When press communiques are at variance they include small additional percentage to cover latter aircraft.

26th. Out of 309 Fortresses despatched 53 dropped 112 tons on U-boat yards and Aero-engine factory at HAMBURG. Favourable weather, results good, slight fighter opposition. 38 dropped 186 tons on the Continental Rubber Works at HANOVER. Results fair to good. Strong fighter opposition. 51 dropped 106 tons on alternative targets at WILHELMSHAVEN, BREMERHAVEN and WESERMUNDE. 24 Fortresses missing. Escorted medium, light and fighter bombers attacked airfields in Northern France and BELGIUM and fighters carried out sweeps. Enemy casualties 4, 0, 2. 1 Bomber, 3 Fighters missing. 26th/27th. Aircraft despatched - HAMBURG 6, leaflets 3, Intruders 18 (1 missing).

12 enemy aircraft operated over KENT and ESSEX, 1 of which entered Greater LONDON area. 1 was destroyed by a Mosquito.

ITALY. 24 Beaufighters sank a 1,500 ton ship, a schooner and a barge west of NAPLES.

SICILY. 25th and 26th. Light bombers flew 241 sorties against enemy communications northwest of CATANIA.

MALTA. 25th/26th. 25 German bombers approached the Island. 7 of them were destroyed by night fighters and Air Arm.

CYPUS. 24th. Beaufighters bombed an enemy airfield and a wireless concentrator.

PACIFIC. 24th. 15 heavy bombers attacked objectives near LIZ and 50 fighters and fighter bombers attacked enemy positions near WUAIU.