

DIARY

Book 660

August 28-31, 1943

- A -

	Book	Page
Albee, George		
See Financing, Government: War Savings Bonds (3rd War Loan Drive)		

- B -

Bank of America		
See Transamerica Corporation		
Buffalo, New York		
See Revenue Revision: Withholding Tax		
Business Conditions		
Haas memorandum on situation, week ending August 28, 1943 - 8/30/43.....	660	57

- F -

Financing, Government		
War Savings Bonds:		
3rd War Loan Drive:		
Reuther (Congress of Industrial Organizations) strongly recommends joint labor-management committees - 8/28/43...		2
Albee, George: DuPont asked to lend throughout drive and agrees - 8/30/43.....		53
Flynn, Mike		
For Wall Street Journal article see Revenue Revision		

- H -

Hand, Judge Learned		
See Transamerica Corporation		

- J -

Jews		
Demobilization of internment camps for Croatian and Slovenian internees by Italian Government due to efforts of Vatican reported to HMJr - 8/31/43.....		206

- L -

Labor Department		
For memorandum on workers' earnings see Revenue Revision		
Lend-Lease		
FDR not pleased with report for Congress OK'd by Hopkins and not shown to him - 8/30/43.....		21
Silver to Friendly Countries: Resumé of transactions - 8/28/43...		7
United Kingdom:		
Reciprocal Aid Aide-Memoire: Chancellor of Exchequer promises close cooperation on statement - 8/28/43.....		6
Aircraft despatched, weeks ending August 24 and 31 - British Air Commission reports - 8/30/43, 9/6/43.....		71, 209
Aircraft flight delivery as at August 31, 1943 - British Air Commission report - 9/6/43.....		211

- M -

Martinique

See Occupied Territories

Book Page

- N -

Netherlands

Resumé of request for loan - 8/30/43.....	660	78
a) Jones-HMJr conversation - 8/31/43.....		116
b) Duplicate copy of material sent to Hull sent to Jones - 8/31/43.....		119
c) Letter and memorandum HMJr refused to send to Jones.....		129
d) Hull-HMJr conversation - 9/1/43: See Book <u>661</u> , page 54		
e) FDR sent copy of Treasury proposed memorandum - 9/8/43: Book <u>662</u> , page 331		

- O -

Occupied Territories

Martinique

See also Book 651

Ball's report on results of inspection trip reported in Paul memorandum - 8/31/43.....		202
---	--	-----

- R -

Reuther, Walter (Congress of Industrial Organizations)

See Financing, Government: War Savings Bonds  
(3rd War Loan Drive)

Revenue Revision

See also Book 659

Social Security - Income Tax Integrated Plan:

FDR likes and asks HMJr to discuss with George, Doughton, and himself before September 14 - 8/30/43.....		16
a) HMJr-Paul-Blough-Surrey conference reported to Treasury group - 8/31/43.....		82
1) Surrey's explanation of plan.....		88
b) Conference; present: HMJr, Paul, Gaston, White, Sullivan, Blough, Haas, and Surrey - 9/1/43: See Book <u>661</u> , page 1		
1) Paul presents memorandum covering four alternatives (see page 23)		
a) HMJr not pleased with any - page 7		
c) Conference; present: HMJr, McNutt, Altmeyer, Maggs (Labor Department), Gaston, Paul, and Blough - 9/1/43: Book <u>661</u> , page 25		
1) Program as planned to date described		
2) Impact on incomes under \$3000 discussed - page 29		
3) Secretary Perkins' attitude toward double program reported to Paul by Maggs		

Revenue Revision (Continued)

Social Security-Income Tax Integrated Plan (Continued):

- d) Altmyer's suggestion of "putting a premium on passing the Social Security part of the program" described to HMJr, Paul, Surrey, Smith, and White by Blough - 9/1/43: See Book 661, page 57
  - 1) Paul-Blough attitude on HMJr's own proposal not pleasing to him: Book 661, page 61
- e) FDR's message to Congress - Gaston to work on proposed draft - 9/2/43: Book 661, page 112
- f) Conference - 9/2/43: Book 661, page 134
  - a) List of those present from outside agencies, etc. - Book 661, pages 132 and 134
  - b) HMJr's ideas on why Social Security should be a part of the tax program: Book 661, page 133
    - 1) Altmyer points out difficulties of relationship between Social Security and tax program: Book 661, page 151
    - 2) Chart showing individual income tax: effective rates for married person without dependents: Book 661, page 163
    - 3) Chart showing combined individual income and employee payroll taxes: effective rates for married person with two dependents: Book 661, page 164
- g) Byrnes and Vinson: Paul told to see both if possible - 9/3/43: Book 661, page 215
- h) FDR-Treasury conference: Material to be used sent to Rosenman for review - 9/8/43: Book 662, page 300
- i) FDR-Treasury conference discussed by Rosenman and HMJr - 9/9/43: Book 663, page 8
  - 1) Byrnes and Vinson also present: Book 663, page 26
- j) Conference; present: HMJr, Bell, Paul, White, Smith, Schwarz, and Shaeffer - 9/9/43: Book 663, page 26
  - 1) Dow-Jones release on tax conference, 2:05 P.M.: Book 663, page 47
    - a) Burgess asked to look into source of story from New York end - 9/9/43: Book 663, page 49
    - b) Mike Flynn-Shaeffer conversation reported to Treasury group: Book 663, page 54
  - 2) Mike Flynn article sent by FDR to HMJr for Secret Service investigation - discussion by Treasury group - 9/15/43: Book 664, page 104
- k) "Treasury to Present FDR's Tax Plan; Vinson an Adviser Only" - Baltimore Sun article - 9/10/43: Book 663, page 101
- l) Byrnes-Vinson-Treasury conference planned for by Treasury group - 9/13/43: Book 663, page 204
  - 1) Byrnes and Vinson verify time of conference: Book 663, pages 203 and 206
  - 2) Four alternative plans again reviewed by Paul: Book 663, page 207
  - 3) Conference reported to Treasury group: Book 663, pages 226 and 244
    - a) Gaston memorandum read
- m) FDR to announce at press conference "Treasury is manager of tax bill": Book 663, page 235

Revenue Revision (Continued)

Social Security-Income Tax Integrated Plan (Continued):

n) FDR-HMJr-Rosenman-Byrnes-Vinson-Paul-Gaston conference reviewed in Gaston memorandum - 9/14/43: See Book 664, page 22

1) Byrnes seizes lead and reviews plans already discussed with Treasury for FDR (see also HMJr's reaction as given Treasury group, page 120)

a) Mike Flynn article sent by FDR to HMJr for Secret Service investigation - discussion by Treasury group - 9/15/43: Book 664, page 104

1) Wall Street Journal, Baltimore Sun, etc., articles: Book 664, page 134

2) FDR's special insurance feature discussed by Treasury group - 9/15/43: Book 664, page 118

o) Reaction of Currie, Eccles, Senator Wagner, etc.: Book 664, pages 26 and 27

p) Workers' earnings - Labor Department memorandum on: Book 664, page 80

1) Secretary Perkins-Treasury-Budget correspondence concerning - 9/22/43: Book 666, page 167

q) FDR confers with Treasury group, George and Doughton, Byrnes, Vinson and Rosenman - 9/15/43: Book 664, page 150

1) Agenda: Book 664, page 154

2) Post-war refund considered thoroughly impractical by Doughton

Withholding Tax:

See also Book 648

Buffalo, New York, study on impact to be enlarged:

Discussion by Treasury group - 8/30/43..... 660 35

Funds for survey discussed by HMJr, Thompson,

Sullivan, and Haas - 9/2/43: Book 661, page 108

a) Treasury letter to Bureau of Budget - 9/2/43:

Book 661, page 168

1) Copy to Secretary Perkins: Book 661, page 170

Securities and Exchange Commission

See Transamerica Corporation

Silver

See Lend-Lease

Social Security

See Revenue Revision

Taxation

See Revenue Revision

- T - (Continued)

	Book	Page
Transamerica Corporation		
Conference; present: HMJr, Delano, Upham, Bell, Paul, and Tietjens - 8/31/43.....	660	145
a) Securities and Exchange Commission request for certified copies of all reports of earnings and dividends and steps taken thereafter reviewed		
b) Judge Learned Hand's secretary-HMJr conversation...		168
c) Delano memorandum.....		173
d) Paul memorandum: Securities and Exchange Commission-Transamerica hearing.....		180,182
e) Letter to Judge Hand.....		187
f) Judge Hand's reply - 9/7/43: See Book <u>662</u> , page 164		
g) Delano-HMJr conversation on success of consulting Hand - 10/6/43: Book <u>670</u> , page 48		
h) Securities and Exchange Commission request refused - 10/6/43: Book <u>670</u> , page 51		
i) Judge Hand's letter - 10/7/43: Book <u>670</u> , page 129		

- U -

United Kingdom  
See Lend-Lease

- W -

War Savings Bonds  
See Financing, Government



TREASURY DEPARTMENT

WASHINGTON

August 28, 1943

*not done*  
*necessary*  
*See file 8/30/43*

~~CONFIDENTIAL~~  
War Finance Staff

Hon. Henry Morgenthau, Jr., Secretary  
United States Treasury  
Washington, D. C.

My dear Mr. Secretary:

In the past 43 years, since the founding of the National Negro Business League, a great many important people representing various departments of the government as well as outstanding private citizens have spoken on occasions corresponding to our 43rd annual meeting. Without the slightest mental reservation, I am prepared to state that no person has ever spoken at a session of the National Negro Business League whose personal and official appearance and whose message were received with more patriotic cheerfulness and enthusiastic appreciation than yours in Baltimore Wednesday night.

As I said to you in your office when Messrs. Houghteling, Allen and myself had the brief conference with you, the appearance of no person in the President's cabinet, outside of President Roosevelt himself, would have meant as much to Negro America as yourself, Mr. Secretary.

Every Negro newspaper in America will give both news and editorial space to your timely message in their next issue. This fact emphasizes the national and international import of the occasion.

On behalf, therefore, of colored America everywhere, I want to express our appreciation and gratitude.

Very truly yours,

*Jesse O. Thomas*  
Jesse O. Thomas  
Consultant



*issue 2*

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

Aug. 28, 1943

FROM Randolph Paul

*RP*

Walter Reuther, Vice President and Director of the General Motors Division of the UAW-CIO, discussed the handling of War Bond sales at a conference in my office August 26, 1943.

To speed up bond sales, Reuther considers it essential that sales be handled as a joint labor-management proposition. According to Reuther, General Motors consistently has refused to have labor-management committees and has made capital for itself over the workers' bond purchases. The drives, he says, have been General Motors, Buick, or Chevrolet bond drives with all emphasis on the companies rather than the workers whose money has paid for the bonds.

Reuther takes the position that a union committee should jointly sponsor each drive. He contends that if the company takes the lead, it can only use its management worker channels of contact with the workers. He said that if the union were permitted to take the lead it would be able to break down much resistance to bond sales, in fact, the union would make the workers buy bonds if the company would only let the union pitch in. He insisted that the Treasury could sell "many more millions" of bonds through joint labor-management committees.

*RP*

3  
Harc

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

TO Secretary Morgenthau  
FROM Randolph Paul

MA

DATE  
August 28, 1943

Following an afternoon conference on a proposal for dismissal pay for General Motors employees, Walter Reuther, vice-president and director of the General Motors Department U. A. W., returned to my office at 8 p.m., August 26, to discuss taxes.

Sales Tax. I told him that at the present stage it was necessary to bulwark equity arguments against the sales tax in Congress by pointing out the inflationary aspects of the tax and its administrative difficulties. Reuther said he was with us on this.

Individual Excess Income Tax. I asked Reuther his attitude on the individual excess income tax. He said he knew little about it. I advised him to get familiar with it.

Social Security. I sought Reuther's reaction to the Wagner bill and social security. Specifically, I asked him if his organization would more readily accept a larger take if it were in the form of social security than in increased income taxes. His answer was Yes. He amplified this answer by saying the UAW members would be willing to pay more in periods of peak earnings for a future investment. He said if you approach any tax program from the point of view of postwar security it stops opposition to increased payments.

Voluntary versus Compulsory Savings. I asked Reuther how he stood on voluntary versus compulsory savings. He said his people were for voluntary savings. He expressed the opinion that we must get the last squeeze out of the voluntary plan before getting into compulsory savings. He then went on to say he thought resistance toward the purchase of bonds will grow, that there is not a genuine

- 2 -

appreciation of the sacrifices necessary in total war. He declared there was "too much veneer ballyhoo" in the selling of bonds and that military victories hurt bond sales. He finally summed up his position by saying that we have to go further with the voluntary program only to prove we shall have to have compulsory bond buying later.

Tax Program. We talked about a \$12 billion program, the possibility of squeezing an additional \$2 billion out of excises and of getting some more revenue out of corporations. I then asked Reuther where he would put the burden if we were to get \$8 1/2 billion from individuals, and who would be most resentful. I told him it was impossible to get \$8 1/2 billion out of the upper brackets. I particularly asked him if there would be resentment against increases for married people with dependents who have incomes of \$2,500.

Mr. Reuther replied that the only criterion for a tax program is ability to pay. That, he said, ruled out the sales tax. He said no one liked high taxes, but the key to dissatisfaction with increased taxes was inequity. He asked how our taxes compared with the British and said he thought there was less resentment among the British than among Americans. He said the average American feels like a sucker. He considers \$2,500 a subsistence wage for a married man with dependents. The GM workers will be satisfied, he said, if the people in the higher income brackets pay a proportionate share of the load. He pointed out that rationing was fair and taxes should be the same way, that if he could go to the GM workers and say Mr. Wilson is going to carry his share, the workers will be willing to do their share. He said if the \$25,000 salary limitation were put across, the trouble would be over.

I then asked Reuther if he thought it would be futile to go to Congress with large individual rate increases unless there were stiff corporate tax increases. He replied that "equality of sacrifice is the key."

- 3 -

I next asked him if he thought we might get across with \$8 billion of individual increases if combined with stiff corporation taxes and going as far as we can in protecting people making around \$2,500. His answer was: "Protect the families in levels below \$2,500 and make the people in upper income brackets bear their share and put some ceiling on individual incomes." He opposed "dissipating manpower" by cutting down living standards and took the position that the burden must be placed above the \$2,500 income level, even though it fell heavily on people making \$2,800 or \$3,000. He declared that getting the money up high is a symbol. "When you get that you can go to the others." He then expressed the opinion that "the key to the tax program is the key to all problems in America."

Reuther went on to say that acceptance of a higher tax burden depends upon what OPA is going to do. He referred to high prices in restaurants around the plants and said that because of long working hours the workers are depending on a meal in the plant as their main meal. He said the UAW was trying to get into War Department contracts a provision for plant feeding facilities. What the Government does on some of these practical problems will make "all the difference" in acceptance of the tax program, he said.

Treasury - Labor Relations. Reuther asked with which Labor people we met on taxes and if we had an understanding with the Labor people that they were not to "gum up the works." I told him I met with Walsh, Pressman, and others. He said if the Treasury came out with a tax program and the CIO endorsed it, it put the kiss of death upon it. He was of the opinion that CIO's job was to go out and beat the bushes and then go on the Hill and help get the right kind of program through. The CIO, he said, is now a political liability and it should be a source of strength. He is trying to keep the CIO from being a narrow pressure group. He added that in Michigan the UAW is now trying to get the election commissioners to permit people to register for voting in the GM plant. Reuther's parting shot was: "The White House is too well insulated!"



Photostat to Mr. White 8/30/43  
BRITISH EMBASSY  
WASHINGTON, D. C.

August 28th, 1943

My dear Mr. Secretary,

The Chancellor of the Exchequer has asked me to convey to you the following personal message.

"I have seen aide-mémoire on reciprocal aid which the State Department has given the Embassy. I am very glad to receive this further clarified view point of the Administration on this subject and you may be assured that I will give the matter my close personal attention. As you will understand the aide-mémoire raises some questions which will have to be examined by various Departments but this is being done speedily. When a reply is sent I shall avail myself of the frankness which makes our basic relations so valuable and I am confident that in this spirit we shall be able to arrive at a mutually satisfactory settlement."

Believe me,  
My dear Mr. Secretary,  
Very sincerely yours,

R. I. Campbell

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

7 ✓  
Hansen

# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 28, 1943

TO Secretary Morgenthau  
 FROM Mr. White *HW*  
 Subject: Lend-leasing of Silver to Friendly Countries.

Since you first urged the desirability of lend-leasing Treasury silver to friendly countries, to be returned after the war on an ounce for ounce basis, more than 40 million ounces of silver have been provided for coinage and war production on the above terms. The countries to whom silver has been lend-leased are:

<u>Country</u>	<u>Ounces</u>
United Kingdom(2 requisitions)	15,075,000
Fiji Islands(United Kingdom)	196,000
Australia	5,050,000
Surinam and Curacao(Netherlands)	583,000
India(agreed, but not delivered)	<u>20,000,000</u>
Total	40,904,000

There are now pending requests for silver from the following countries:

<u>Country</u>	<u>Ounces</u>
Ethiopia (for coinage)	5,430,000
Saudi Arabia (for coinage)	7,000,000
Netherlands (for coinage)	71,325,000
India (anti-inflation sales)	100,000,000

In the case of Ethiopia and Saudi Arabia, the State Department has told us and written us that the foreign policy of the United States would be furthered by the lend-leasing of silver to these countries for their coinage needs.

PARAPHRASE OF TELEGRAM TO CALCUTTA

DATED: August 23, 1943, 8 p.m.

NO: 643

This is in reference to telegram no. 1182 sent to Chungking by the Department on the 25th of August, 1943, at 2 p.m.

FOR ADLER FROM THE SECRETARY OF THE TREASURY

1. The Treasury has made arrangements to have deposited \$1,000 for your account with the Chartered Bank of India, Australia and China, Calcutta branch. These funds are to cover the expenses of your trip to and from India, by air if necessary, as Treasury consultant. The Treasury will pay all of your expenses during this trip, including per diem.
2. You are hereby authorized to draw on this account to the extent of \$7 per day for subsistence, plus travelling expenses plus necessary expenses incidental to performing your duties.
3. You should remit back to the United States the unused portion of your account with the Chartered Bank. On your return to Chungking, please fill out necessary forms and vouchers which may be obtained at the American Embassy and forward them to Treasury.
4. In discussions with Indians, official and unofficial, Treasury wishes you to keep in mind that the discussions regarding lend-leasing of silver and sales of gold are taking place in Washington and not in India and are considered secret. The discussions are being confined to a very small group of American, British and Indian representatives. Treasury wishes it to be clearly understood that you are going to India to investigate conditions and not to negotiate with Indians.
5. Treasury assumes you have seen Treasury cable of August 25, #1182, addressed to you in Chungking. If you haven't, request American Embassy, Chungking, to transmit this message to you.

C  
O  
P  
Y

9

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

Calcutta

Dated August 28, 1943

Rec'd 2:40 p.m.

Secretary of State,

Washington.

PRIORITY

1079, August 28, 1 p.m.

FOR TREASURY DEPARTMENT.

Referring to the Department's telegram No. 626,  
August 26.

Commissioner of Excise Bengal reports no charas  
available in the province for more than twelve months  
past. Suggests there is some possibility of supplies  
in the Cerojab and this is being followed up.

MACDONALD

RR

Copy:bj:8-31-43

NOT TO BE RE-TRANSMITTED.BRITISH MOST SECRET.  
U.S. SECRET.OPTEL No. 283.

Information received up to 10 a.m. 28th Aug, 1943.

1. NAVAL.

193 AUG 1 42  
OFFICE OF SECRETARY OF TREASURY  
SECRETARY DEPARTMENT

Midday 27th. An escort group patrolling off North West Spain was attacked by 13 Dornier aircraft, one of H.M. sloops was sunk and a Canadian destroyer was damaged.

2. AIR OPERATIONS.

WESTERN FRONT. 27th. 185 escorted Fortresses bombed military objectives near St. Omer in good visibility dropping 330 tons, 3 are missing. 36 escorted Marauders bombed Poix airfield, 1 missing. 2 out of 6 escorted Boston attacked Gosnay power station, 3 missing. 70 Squadrons of fighters operated in conjunction with these and other operations, 7 Spitfires missing. Mustangs damaged 13 locomotives in Northern France. Total enemy casualties. 19. 13. 14.

27th/28th. Aircraft despatched. Nuremberg 674 heavies (33 missing), Duisburg 4 Mosquitos, Sea mining 47 Wellingtons (1 missing) leaflets Northern France 10, Intruders 33. Preliminary reports Nuremberg state weather fine but visibility moderate to poor.

ITALY. 25th/26th. 76 Wellingtons attacked Taranto railway centre dropping 131 tons.

26th. 78 escorted fortresses attacked Capua airfield destroying 16 aircraft on the ground. Marauders and Mitchells dropped 117 tons on Grazzanise airfield 20 miles North West of Naples and a satellite landing ground destroying 8 aircraft on the ground. 24 Mitchells bombed a road and rail junction at Locri. Enemy casualties 14. 5. 9. Ours 6 missing.

SARDINIA. 47 Warhawks attacked the Carloforte area, 1 missing.

BRITISH MOST SECRET  
U.S. SECRET

OPTEL NO. 286.

Following is supplementary resume of operational events covering the period 21st to 28th August, 1943.

### 1. NAVAL

Allied Naval Units made daily and unopposed sweeps in the TYRRHENIAN SEA and off the CALABRIAN Coast.

SUBMARINE WARFARE. The number of U-boats at sea is much smaller than recently, shipping losses were negligible, no ships were lost from U-boat action in the ATLANTIC which remains absolutely quiet. There are indications that a fresh group of U-boats may have reached the CAPETOWN Area. Summary of anti-submarine attacks during August reported to noon 25th: number of attacks by shorebased aircraft - 35, by Carrier-borne aircraft - 7, by Warships - 33. Sunk and probably sunk by aircraft - 10, by Warships - 6. Possible sunk by aircraft - 2, by Warships - 3. Probably damaged by aircraft - 4, Possibly damaged by aircraft - 1.

SHIPPING CASUALTIES. From 21st to 27th inclusive, the only two ships reported torpedoed were a U.S. Ship (which reached port) in the MEDITERRANEAN and a British ship sunk in the INDIAN OCEAN. In addition, a U.S. ship was sunk and one British and one U.S. ship damaged by aircraft in the MEDITERRANEAN. The U.S. ship and Panamanian Tanker reported last week torpedoed in convoy off NEWFOUNDLAND are now known to have been damaged in collisions.

ENEMY SHIPPING. From 16th to 31st July, 6 ships totalling 13,124 tons were sunk of which 10,100 tons in MEDITERRANEAN. Since closing the STRAIT OF MESSINA, enemy controlled Merchant Shipping in MEDITERRANEAN has been cut in two. There are about 980,000 tons in Western and about 760,000 tons in Eastern MEDITERRANEAN, including BLACK SEA. Reconnaissance of TOULON 23rd, showed eight-inch Cruiser "ALGERIE" refloated and in dry dock.

TRADE. Week ending 22nd, five ocean convoys arrived destinations without loss. Import in convoy into UNITED KINGDOM week ending 21st - 282,000 tons. No oil.

### 2. MILITARY

German divisions in ITALY. No change in total number German divisions in Southern and Central ITALY, but regrouping has probably continued. Believed bulk German divisions Southern ITALY now fairly evenly distributed for defence of Coast between ROME and GULF OF TARANTO. Now believed some of troop movements which previously appeared to be destined for Italian Occupied Zone of FRANCE continued to Northern ITALY where total German divisions are at least four.

BURMA. Now believed no foundation for earlier reports Japanese concentrating troops for forward movement in ARAKAN. Recent activity JAYU Peninsula probably relief of forward troops. Japanese however strengthening their positions protecting MAUNGDAW-BUTHIDAUNG Road.

NICOBARS. The Japanese have built barracks and are constructing a landing ground on CAR NICOBAR, the Northernmost Island of group.

### 3. AIR OPERATIONS

WESTERN FRONT. Night. 2,381 Sorties, 96 Aircraft missing. LEVERKUSEN. Dense cloud prevented any observation and attack not believed successful. BERLIN. Good weather, concentrated attack, large areas in West and Southwest part of city damaged, but full details not yet available. Heavy attack on NUREMBERG on 27th/28th, no details yet.

Sea-mining on fairly large scale. Day. U.S. bombers escorted by fighters made a series of heavy attacks on airfields in Northern FRANCE. Considerable fighter opposition encountered on several occasions. Bombers made effective low level attack on power station at GUERLEDEN, BRITANNY and on GOSNAY power station. Fighter Bombers damaged at least 26 locomotives in FRANCE and BELGIUM. Fortresses returning from AFRICA attacked aircraft construction works at BORDEAUX. In all these operations Allies lost 31 aircraft.

Enemy. About 26 enemy aircraft operated over EAST ANGLIA and HQ.E COUNTIES. Seven were destroyed.

MEDITERRANEAN AREA. ITALY. Throughout week heavy attacks maintained on railway centres in Southern ITALY. Airfields at FOGGIA, CAPUA and GRAZ-ZANISE also attacked and 34 aircraft destroyed on the ground. At the beginning of the week enemy fighters reacted sharply. Escorted Fortresses met from 50 to 75 German and Italian fighters which tried to intercept. These attempts failed to prevent our formations reaching and bombing their objectives and proved costly to the enemy. During the latter part of the period the number of enemy fighters seen was very much less.

SICILY. Enemy lost four aircraft in a night attack on PALERMO. In all these MEDITERRANEAN Operations the Allies lost 27 aircraft.

RUSSIA. There is reason to suppose that the Germans have been compelled to withdraw part of their bomber and close-support forces from KHARKOV Sector to meet the Russian offensive towards STALINO and that they are having great difficulty in meeting all their commitments.

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

ESSEN. Attack of 25th/26th July. Krupps Works was the centre of damage in this raid which caused as much harm to the plant as all the previous attacks put together. Twelve or thirteen power or generator stations and boiler houses have been damaged and several cooling towers destroyed.

REGENSBURG. Final interpretation of photographs confirms heavy damage all over the Messerschmidt Works of which nearly every building was affected to some extent.

WANNHEIM. Photographs 16th, confirm important damage to a factory making armoured vehicles and tank components also to Northern Section of I.G. Farbenindustrie.

REISCHHEID. Attack on 30th/31st July now proved outstandingly successful. 90% of built-up area in centre destroyed and some streets almost obliterated by debris. Much damage in an important steelworks and an engineering works.

DENAIN. Attack by Fighter Command aircraft on 17th, caused great damage to the steel works with practically none outside.

NAPLES. Much cumulative damage to shipping in the port and to quays, warehouses and dock installations. Area between main station and docks almost devastated.

5. HOME SECURITY

Civilian casualties week ending 25th: Killed - one, Seriously wounded - two.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET  
U.S. SECRET

OPTEL NO. 284

Information received up to 10 a.m., 29th August, 1943.

1. NAVAL

MEDITERRANEAN. One of H.M. Submarines sank a small ship on 27th and schooner on 28th. Promising attacks on 2 U-boats were made by aircraft from U.S. auxiliary carrier in AZORES area on 27th. One of H.M. Destroyers sank a U-boat off CAPE FINISTERRE 28th, 2 bales of sheet rubber were picked up.

2. AIR OPERATIONS

WESTERN FRONT. 27th/28th. NURNBERG. 1,671 tons dropped including 319 4,000 pound H.E, and 822 tons of incendiaries in 50 minutes. Clear weather and good visibility. Marker bombs clearly seen and good concentration of bombing achieved as attack progressed. Large conflagrations seen to cover wide area. A/A slight but many searchlights co-operating with strong fighter opposition. 5 enemy claimed destroyed.

28th. In attacks on Canal and Railway traffic in BELGIUM and Northern FRANCE, fighters destroyed or damaged 23 barges, 7 locomotives and 2 tugs.

ITALY. 26th/27th. Wellingtons dropped 90 tons on the railway centre at BAGNOLI near NAPLES.

27th. Escorted heavy and medium bombers dropped a total of 375 tons on railway objectives at SULMONA, BENEVENTO and CASERTA, causing considerable damage. Enemy casualties 20.4.5. Ours 3 bombers and 2 fighters missing. Road and railway junctions on the foot of ITALY were attacked by 136 medium, light and fighter bombers.

TREASURY DEPARTMENT

1943 AUG 30 PM 1 42

OFFICE  
SECRETARY OF TREASURY

August 30, 1943  
9:36 a.m.

14

HMJr: Hello.

Dan

Bell: Yes, sir.

HMJr: Are you making a record?

B: I hope it's a good one.

HMJr: It's a good one.

B: Yes.

HMJr: Well, I saw the President yesterday and he knew what I was going to talk to him about and he said - I said "I want to talk about Byrnes" - and he said, "about compulsory savings" and I said, "That's only part of it." Then I got on the directive and he unhesitatingly said, "Byrnes can't issue any directive to you."

B: Really?

HMJr: Yeah. And he said, "He can only do it through the President." And he is very positive about it.

B: The Executive Order doesn't say that.

HMJr: I know. He's very positive that we should go through with the volunteer program - that nobody should discuss compulsory savings. And he said, "When this loan is over," he said, "Henry, you and I will sit down and we'll review the situation and see whether we can do another one. If we can do another one, we'll go on. If you and I think we can't do a fourth War Loan," he said, "then we'll talk about what the next plan will be." But he said, "Everybody has got to keep quiet from now on."

B: I'd say it was a very successful conference then.

HMJr: He was very definite about it. And I - then I went on to say, "You know, Mr. President, if you were in the insurance business and you tried to sell something and somebody was constantly undermining you, how difficult it is to get yourself across." And he said, "I know." He said, "We've just got to stop this talk." And - so then I got on this thing about getting something in writing and in a very nice friendly way he said, "Well, you know, Henry, how I hate to put anything in writing."

- 2 -

HMJr: And I said, "I know, Mr. President, but it seems to me  
Cont'd you ought to." "Well, now," he said, "I'll get - you  
and Jimmy and I will get together." And he said, "I'll  
settle this thing in three minutes." So I said, "Well,  
I hope you can but it will be so much better in writing."  
And he said, "Well, let me see," he said, "I can settle  
this thing in three minutes." So I told him how for the  
last week or ten days I just couldn't put my mind on my  
work because of this - where I should be thinking about  
salesmanship, I was just thinking about this. So he kept  
repeating, "I'll get you together and settle this."

B: Uh huh.

HMJr: But - and then I said, "After all, all I asked Byrnes  
to do was what you did - was to correct himself."

B: Uh huh. Could you talk up a little? We're having a hard  
time hearing you.

HMJr: I said, "All I asked Byrnes to do was what you did."  
Can you hear me now?

B: Yes. That's better.

HMJr: "To correct your statement."

B: Uh huh.

HMJr: So evidently either, I imagine, Tuesday or Wednesday  
he will get us together and so I think that's about  
all anybody could expect.

B: I think it was completely successful.

HMJr: I mean, I never really thought that he'd give me the  
thing in writing but one doesn't know - if Byrnes  
should get very pig-headed, see? Hello?

B: Yes.

HMJr: Then the President may have to do it.

B: Well, I'd say - yeah, I think that's right. It all  
depends on what comes out of the conference.

HMJr: But certainly, in the President's mind, no directive -  
I said to him - I said, "After all, I don't think - I  
came down to work for you as a Cabinet member." And I

- 3 -

HMJr: said, "I'll get my orders from you," but I said, "but  
Cont'd I'm not going to take them from anybody else."

B: Did this cover the whole subject, including taxes?

HMJr: Well, it's - no, we didn't go into that. I mean, I  
just made it perfectly clear and he made it perfectly  
clear and - that Byrnes was not the Assistant President.

B: And he couldn't give you directives on any subject  
touching the fiscal front.

HMJr: No, we didn't get down to that. The President said,  
"Byrnes can't give you any orders on anything except  
through me."

B: Well, that's pretty clear.

HMJr: There was no - he was very emphatic - no hesitancy on  
his part.

B: Well, that's about as much as you can expect if it's  
followed up with a conference and have an understand-  
ing with the other two people. Isn't it?

HMJr: Now, one thing that I'd like Mrs. Klotz to get from  
Paul and DuBois is exactly the same set of what I  
gave the President so that when I go in the room,  
my tabs are the same as the one I gave him, and he  
begins to work in a conference, I want to have a  
duplicate of what he's got.

B: Uh huh. Same set with comparable tabs so that you can  
follow him?

HMJr: That's right.

B: All right.

HMJr: Now, I got on to Social Security - is Paul there?

B: Yes, sir.

HMJr: And the President said, "You know, Henry, I've been  
groping for something, that is - this sounds good and  
I like it." And he said, "I want you to get it to  
me and, with George and Doughton, before the 14th of  
September.

B: Yes.

- 4 -

HMJr: Now, I - I explained it to him as far as I can understand it and I understand it fairly well so my thought was - I thought we ought to aim for a meeting with that big group for Thursday at 4:00 o'clock.

B: Thursday at 4:00 o'clock this week?

HMJr: Yeah.

B: All right.

HMJr: Everybody in the Treasury - let's high-pressure ourselves and lick this thing into shape with all refinement or whatever is necessary.

B: Well, now will this be a meeting on Social Security?

HMJr: No, with the same group....

B: The whole subject?

HMJr: Yeah. But what we'll do is to present a tax plan with a social security integrated - and with alternative plans the way Blough talked and the way I understand Paul is thinking and we'll - Paul and I will have to get together, see?

B: Yes. But along the line that you talked at your meeting the other day?

HMJr: That's right.

B: I see.

HMJr: And I thought that if Paul is free tonight for supper, I could sit down with him and Blough.

B: Just a moment. (Pause) Yes, they're free.

HMJr: Well, does he want Surrey - Surrey doesn't contribute much to me - does he want Surrey? I'm perfectly willing to have him.

B: He thinks that Surrey ought to be there even though he doesn't contribute because he has to follow through and draft the....

HMJr: All right. Well, then if Mrs. Klotz will see that the chicken or whatever there is - non-rationed food - four people is at my house tonight.

- 5 -

B: All right. What time?

HMJr: Oh, around 7:30.

B: 7:30. All right, sir.

HMJr: Then I'm going full-steam on this. Is Fred Smith there?

B: No, he isn't.

HMJr: Oh, gee. I forgot Smith. Can somebody send for him?

B: Just a moment.

HMJr: I don't know why I forgot him.

B: All right. Do you want to talk to Mrs. Klotz in her office while we're sending for Smith? She's got something she want to talk to you....

HMJr: Yes.

B: She says she can do it at the end but Smith isn't here.

HMJr: All right. She can step into her room and....

B: All right.

HMJr: ....while we are waiting for Smith.

B: And then you'll come back on here?

HMJr: Yes.

B: Do you want any of the rest of us?

HMJr: Yes, because I've got several other things.

B: All right. Bye.

August 30, 1943  
9:45 a.m.

Dan  
Bell: ....now.

HMJr: Well, did you tell Smith the good news? Will you?

B: Just started and he's got the gist of it, yes.

HMJr: Some how or other - I don't know - in listing everybody I forgot poor little Smith.

B: (Laughs) Well, he's here now.

HMJr: All right. Now, I want, in my name, to send a telegram to the President of DuPont this morning and ask for George Albee's services from now until the first of October. I want that to go out this morning.

B: All right. Fred's got it.

HMJr: Unless Smith thinks he can - I think the way to do is to go to the President of DuPont and not to the Advertising Manager.

B: He agrees.

HMJr: What?

B: He agrees.

HMJr: But if we are going to do all these features, I need Albee.

B: All right.

HMJr: Now, I've got - I'm reading some memos that I've made. I am very much disappointed that two weeks have passed and nothing has happened about spreading that survey that we were doing at Buffalo. See?

B: I see.

HMJr: And Blough has given me a lot of alibis.

B: (Laughs) He says they are not his alibis but he has given them to you.

HMJr: I know but nothing's happened. Now, what I want is, Dan, I want George Haas to organize this thing properly.

HMJr: He can either do it with his own people or volunteers.  
Cont'd And I want to check some other places to see whether -  
what's going on on spending.

B: In other words, you want to duplicate the Likert survey  
at Buffalo in other cities?

HMJr: Well, now - only I want to do it better.

B: Bigger and better, huh?

HMJr: Yeah, and I want it done damn quick. I'm sick and tired  
of sitting around and waiting. It's the most important  
thing of all and I'm just not going to be bluffed on it.

B: All right. See what we can do.

HMJr: And George could get volunteers. There are a lot of  
people that love to do something and would volunteer if  
we haven't got the money.

B: You've got a - probably got some central agencies you  
can go to and get volunteers. Most cities have them.

HMJr: Also the Carnegie Fund might give us some money. We  
could ask through Randolph Burgess....

B: Yes.

HMJr: ....and see.

B: Yes, Burgess might get something on that.

HMJr: The Carnegie Fund money - but I don't want to - you  
get over to him - I don't want to sit around talking  
about it for another two weeks.

B: All right.

HMJr: And I realize it's Likert and not Blough but I didn't  
give it to Blough to follow and nothing did happen  
and Blough can defend himself if he wants to. He  
knows how since he's been back on the farm in Indiana.

B: (Laughs) All right.

HMJr: And, I want to do that talk in C.I.O.

B: What is that?

- 3 -

HMJr: We are going to do that talk in Detroit.

B: C.I.O. When is that?

HMJr: The 6th, isn't it?

B: The 6th.

HMJr: Yeah.

B: "Yes," Fred says. That's right.

HMJr: Does Frank Isbey want me?

B: Just a moment. (Talks aside.) Ted hadn't been able to get hold of Isbey up to Saturday.

HMJr: Yeah.

B: He'll try to do it today.

HMJr: All right.

B: All right.

HMJr: And, that's about all I've got.

B: Anybody got - just a moment. (Aside: Anybody got - anybody got anything?) Just a moment. Fred Smith has one thing.

HMJr: Well, before Fred goes on - this is very much in the room - hello?

B: Yes.

HMJr: When I said that - illustrated the fact that what's-his-name - Byrnes - wouldn't change, you see?

B: Yes.

HMJr: The President said, "Well, now," he said, "Somebody is going to have to change." He said, "That report to Congress on Lend-Lease," he said, "Harry Hopkins okayed that without showing it to me." And he said, "It hasn't gone up to Congress yet and when it goes, it's going to be changed, because," he said, "I'm not going to talk about giving away the debt after this war." He said, "The never showed it to me and when it goes up,"

HMJr: he said, "and they are going to have to say it was printed wrong or something or other, but," he said, "it's going to be entirely different when it goes up to Congress."  
(Cont'd)

B: Good for him. But, it had been made public. That's bad.

HMJr: Then he said, "I'm just not going to say that." I mean, he was using that as an illustration.

B: Yes.

HMJr: But Hopkins had okayed something that's going to be changed. If they could do it, well Jimmy Byrnes could.

B: Well, apparently he's looking at the whole situation then.

HMJr: Well, the whole meeting was the nicest tone. Mrs. Morgenthau said she had never seen him in a better humor, more relaxed. After all, the man came down for lunch knowing what I wanted....

B: I see.

HMJr: ....and invited himself for lunch. I didn't invite....

B: Oh, he came to your house, huh?

HMJr: Yeah. I didn't invite him.

B: Oh, that's fine.

HMJr: He invited himself.

B: Well, you can't turn down the President when he invites himself. (Laughs)

HMJr: Oh, I don't turn down any of my....

B: (Laughs)

HMJr: ....friends who invite themselves. But I mean - then I had to do it in my own house, which was quite embarrassing.

B: I see. Yeah. He was a guest.

HMJr: What?

- 5 -

B: Had to do it as a guest, huh?

HMJr: Yeah. But knowing what I wanted - for the man to say he'd come down, I thought the whole thing was as nice a spirit as I've ever seen.

B: Uh - was there any indication that the President knew about it through Byrnes?

HMJr: Definitely.

B: Oh, he had heard about it then?

HMJr: Sure.

B: So, you were there second after all.

HMJr: Oh, yeah.

B: (Laughs)

HMJr: Tell John L. Sullivan....

B: He's right here listening.

HMJr: .... - - - in New Hampshire but they don't in Washington.

B: (Laughs) Yeah, he's taking it in.

HMJr: What.

B: He's taking it in. All right, here's Fred.

Fred  
Smith: (Speaking aside: You did tell him about it?) Uh - uh - Klotzy said she told you about this suggestion we had about getting the Labor Leaders in here to get some fresh material on the speeches....

HMJr: Yeah.

S: There's another thing, I suppose she told you, too, the main thing to come out of that would be a signed statement by all three leaders - or by the two leaders and the brotherhood, if you want him, which would be three - and then you would be perfectly clear in making this C.I.O. speech without getting any criticism from the A.F. of L. or anybody else. If you sprung the statement out in your speech.

- 6 -

HMJr: Yeah. It's all right with me but please consult with Larry Houghteling.

S: That's right. We already have. That's where the idea was cooked up. I was talking to him the other day.

HMJr: Good.

S: And that's where it was - it all evolved out of it. I didn't think of it all myself.

HMJr: You didn't think of it all by yourself?

S: No. I should have, but I didn't.

HMJr: What?

S: I should have, but I didn't.

HMJr: Well - uh - okay. I have no....

S: You can do it early this week, huh? It ought to be done. You know the 6th ....

HMJr: Oh, yes.

S: ....is coming up awful quick.

HMJr: You have them come up and I'll - I'll be ready when they're ready.

S: Okay. All right, I'll get hold of Houghteling right away.

HMJr: And I'll be down late this afternoon.

S: All right.

HMJr: God bless you all.

S: Thank you.

HMJr: This is Kate Smith signing off.

Dan Bell: That was a good - that was a good week-end.

HMJr: What?

- 7 -

B: That was a good week-end.

HMJr: I thought so.

B: Sure, that was swell.

HMJr: What?

B: Just a minute. (Aside: Huh?) Fred Smith wants to know if the President brought along his ration book.

HMJr: No, but I'll tell you a very amusing story. Hello.

B: Yes.

HMJr: I gathered he'd had a meal this week-end - this is all very much in the family - with Sam Rosenman and Mrs. Rosenman called up Miss Tully and said, "You know we only have oleomargarine. Do you think that you could lend us some butter for the President and let him have it?" So Miss Tully says, "No." She said, "If you have oleomargarine, let the President eat it and learn what the other half has to eat."

B: (Laughs) That's very good. So she didn't....

HMJr: She said, "I wasn't going to lend Dorothy any butter."

B: (Laughs) That's pretty good.

HMJr: Mrs. Klotz knows the name for that. You old people know it. It's known as "hutzpa".

B: Yeah. All right, that's very good.

HMJr: Did I pronounce it correctly, Mrs. Klotz?

B: She said you did.

HMJr: Well, ask her if I'm right on that?

B: She says you are right.

HMJr: That's just unadulterated "hutzpa".

B: (Laughs) Yes, she shays....

HMJr: Paul will know what that is. He practices law in New York.

- 8 -

B: All right. That's very good.

HMJr: What?

B: Very good week-end.

HMJr: Yeah. I'm glad you're all - I'm quite happy about it. We can 'tend to our business now.

B: Yeah. We all feel very good.

HMJr: And I like this idea about social security and incidentally, I stressed the fact with the President that I wanted a tax bill that had a social outlook that even if it couldn't pass, at least it would be something to point to with pride and the whole thing -- he said, "I've been groping for something, and," he said, "that's it and I like it."

B: Fine.

HMJr: And I told him that Altmeyer didn't like it - didn't want to have anything to do with it and that didn't seem to bother the President one bit.

B: All right.

HMJr: You'd better begin to study social security so that you know, at least, as much as I do which is very little.

B: Well....

HMJr: Well, to any extent.

B: ....I don't know anything about it.

HMJr: Well, this - I have the Wagner bill, in brief, and Article 7 bothers me about how they treat the military service and also the part that the Social Security is going to collect the money instead of the Bureau of Internal Revenue. Now, I've got this review which has been given to me and you'd all better get a copy of it from Roy Blough.

B: Yes, Roy says he has it.

- 9 -

HMJr: And Section 7 - "Persons who are engaged in military service" - all of that bothers me and, as I say, Section 6, paragraph A - "Administration" - it puts entirely under Social Security Board - out from under the Bureau. That may be good - I don't know.

B: Well, that was to some extent agreed upon with the Commissioner of Internal Revenue....

HMJr: Yeah.

B: ....because of the difficulties they have had in getting together on administrative problems.

HMJr: And Section 9 - "Grants to States" - that part I want to talk about, too.

B: Yeah.

HMJr: So I think if Bell - if everybody will be given a copy - Is White in the room?

B: Yes, sir.

HMJr: All right.

B: Want to talk to him?

HMJr: Well, just - when I get in tomorrow I want to talk to him about that Netherlands loan if he can be ready and have the stuff ready for me. Hello?

Mrs. Klotz: Harry says he got your instructions on the Netherlands loan. He doesn't agree with you but....

HMJr: Well, at least have it ready the way I want it and then we can argue about it.

K: That's right. He will.

HMJr: What?

K: Yes, he'll have it the way you want it.

HMJr: And then we can argue about it.

K: That's right. Mr. Morgenthau, are you bringing back the pamphlet that we prepared for you - you know -

- 10 -

K: that you gave the President - yours - have you got  
(Cont'd) yours with you?

HMJr: Oh, yes.

K: Well, we don't really have to make up another one.  
I'll fix it up when you come back. We just have to  
take three things out.

HMJr: All right.

K: We don't have to put anything in.

HMJr: You want to save man-hours?

K: Well, it's a big job and it's unnecessary unless you  
need it.

HMJr: I just want it so that it runs so that my tab numbers  
are the same as....

K: We'll have it exactly the same when you come back -  
bring it back.

HMJr: I want one just like the President's.

K: You shall have it.

HMJr: All right.

K: Nothing else?

HMJr: Not for the moment.

K: Thank you. Good bye.

August 30, 1943

This afternoon I called up Miss Grace Tully and told her that the President said he would see Mr. James Byrnes and me Tuesday or Wednesday. She said she would give the President that message.

August 30, 1943  
5:00 p.m.

GROUP

Present: Mr. Bell  
Mr. Gaston  
Mr. Paul  
Mr. Smith  
Mr. Sullivan  
Mr. White  
Mr. Thompson  
Mr. Gamble  
Mr. Blough  
Mr. Haas  
Mrs. Klotz

H.M.JR: Well, most of you have been in on this battle, and I suppose those of you who haven't know about it. We will be all right now. I just want to thank all of you for support during the last ten days. It will never end, but at least if you want another round - this is for those - there are only two people who don't know about it, Thompson and George.

We had a little argument as between Jimmy Byrnes and myself, and the President sided with me.

MR. BELL: We won again. (Laughter)

MR. HAAS: That is getting quite regular.

H.M.JR: Well, it is one of these things you have got to win, that is all there is to it.

MR. GASTON: It certainly makes the whole thing worth while, doesn't it?

H.M.JR: I don't know, Herbert. (Laughter) I don't get any fun out of winning.

- 2 -

MR. GASTON: What I meant to say was, it is a question that has to be decided.

H.M.JR: Oh, yes, but for ten days I wasn't much good for anything else.

MR. GASTON: Pressing for a decision when the situation was uncertain was well worth while.

H.M.JR: Oh, yes. I couldn't have done anything else. But I mean, when I was young and I used to have these fights around town and we would win we kind of - I remember one day Foley came in and we had a bottle of this Mexican brandy that Harry White paid for - I forget what the row was.

MRS. KLOTZ: I think that was with Leo Crowley.

MR. WHITE: It could only have been one of six.  
(Laughter)

H.M.JR: But, anyway, it is better to win than to lose; I will say that. I want to thank you boys afterwards; if you will stay afterwards a minute, Paul, I want to ask you which one of your men can help me on a certain job I have here.

The only thing that I have which is of any importance - Dan, I am sorry I can't agree with you. I am not going to make Hall an assistant to the Secretary. It is all right with you, isn't it?

(Mr. Smith and Mr. Gamble entered the conference.)

MR. BELL: Putting it that way I guess it is all right with me. (Laughter)

H.M.JR: I was just kidding. Why just because - I mean this thing of precedent. This is a man by the name of Hall who is an investment banker from Chicago. He has been down here to ride herd on other bankers - why should I make him an assistant to the Secretary until I know if he is any good or not?

- 3 -

MR. BELL: His predecessors have all been assistants, and the industry sort of expects it, and I think they will be disappointed if you don't give this man an assistant title.

H.M.JR: Who is Folger?

MR. BELL: He is the man that gave the luncheon the other day, and he will be the next president of the association.

H.M.JR: How much difference does it make, Mr. Gamble?

MR. GAMBLE: I think it makes quite a little bit of difference. I think we increase his effectiveness with the bank people.

H.M.JR: What?

MR. GAMBLE: I think we increase his effectiveness.

H.M.JR: You really want it?

MR. GAMBLE: Yes.

H.M.JR: O.K.

(Memorandum dated August 30, 1942 addressed to the Secretary and signed by Mr. Bell initialed by the Secretary.)

H.M.JR: Mr. Thompson?

MR. THOMPSON: Commissioner Helvering has recommended a one-step promotion for forty-seven of his collectors. The increased work load seems to justify it.

H.M.JR: O.K.?

MR. SULLIVAN: Yes.

(Memorandum to the Secretary from Mr. Helvering dated August 18 initialed by the Secretary.)

- 4 -

H.M.JR: Is that two hundred?

MR. THOMPSON: Two hundred in some cases, and two-fifty in others.

H.M.JR: I suppose you will let them know that election is coming along next year. (Laughter)

MR. SULLIVAN: No use to us - once they get in there they are no good.

H.M.JR: Even if you tell them before you give them a promotion? (Laughter)

MR. SULLIVAN: Congressman Forand of Rhode Island on Ways and Means wrote in today to see if we couldn't get an increase for the collector in Rhode Island. I notice he is not on that list.

MR. THOMPSON: Forty-seven out of the sixty-four. "The others," the Commissioner said, "are either at the top of the grades, or work load didn't justify the promotion."

H.M.JR: O.K. Anything else?

MR. THOMPSON: That is all.

H.M.JR: Did Charley Bell get the railroads straightened out to move the forty-seven--

MR. THOMPSON: Pretty well straightened out. Every time we get it straightened out they want another car.

H.M.JR: I asked for four cars.

MR. THOMPSON: It is up to ten now, I believe.

MR. GAMBLE: I think it is nine. The original was six, Mr. Secretary.

H.M.JR: Four and--

- 5 -

MR. GAMBLE: ... a baggage car.

H.M.JR: You want to make a bet you didn't ask me to ask Joe Eastman for four?

MR. GAMBLE: That is correct, and a baggage car.

H.M.JR: Four cars were all. I have a written conversation. Want to bet? All I said was four cars.

MR. GAMBLE: Four Pullmans a baggage car and a dining car.

MR. WHITE: Don't bet, the Secretary never forgets those kinds of things. (Laughter)

H.M.JR: What is it now?

MR. THOMPSON: Apparently they have a large group and need more accommodations.

MRS. KLOTZ: He is getting it.

H.M.JR: But the bigger it gets Eastman will come back at he. He has written a letter disapproving it. Why are you making it so big?

MR. GAMBLE: I think the thing is they added one additional car and a parlor car. They have added two cars, an additional Pullman to take care of the people, and instead of adding two diners they added a parlor car to take care of the--

H.M.JR: How many sleeping cars?

MR. GAMBLE: Five sleeping cars.

MR. THOMPSON: It will ride nicer - a heavier train. (Laughter)

MRS. KLOTZ: You have to take care of them.

- 6 -

H.M.JR: It is too big. We will get into trouble on it.

MR. GAMBLE: Bell is under instructions from me to go ahead and set the tour and tell the people in Hollywood that is the way to handle it, period. I told him that this morning.

MR. BELL: I have a change in the savings bond circular I would like to get approved.

(Second Revision of War Savings Bond circular approved by the Secretary.)

MR. BELL: Also the estimates for the National Gallery that you have to approve as part of the Finance Committee. It is fifteen thousand up.

(Document approving budget estimates of the National Gallery of Art signed by the Secretary.)

MR. BELL: I talked to Mr. Haas about the project that you suggested this morning, and he suggested that we get Miss Joy over from the Bureau of Labor Statistics. We find that she was already working on a somewhat similar project for Jones.

H.M.JR: For who?

MR. BELL: Jones, the Food Administrator. She got it all worked up, and last week they called her and told her that it was out the window. Apparently their budget wouldn't stand it.

Now you have the situation that you had last year facing you where the Congress turned it down cold after a good many letters had been written. It is a question of whether we want to go ahead. It might be possible to talk to Jones about it, reinstate the project over there as part of the Food Administration, OPA, and Treasury; and it might be that you want to talk to the chairman of the Deficiency Committee or chairman - no, it is the Labor Committee that is interested in it on the Hill - before they do it, in view of the fact that it was turned down.

- 7 -

H.M.JR: Who is chairman of Labor?

MR. BELL: I don't know.

H.M.JR: Well, I am awfully anxious to push the thing. Can't you - you are leaving tomorrow night?

MR. BELL: Yes.

H.M.JR: Can't you give this to somebody to push?

MR. BELL: Yes, I can give it to somebody to carry on if you would like to see it done.

H.M.JR: Herbert, do you mind taking this on for me?

MR. GASTON: No, not at all.

H.M.JR: Would you, and see that - I want to do it by hook or crook. What it is I want is, I want to find out what the people are spending, how much, and what they are buying. I don't want an elaborate survey. Hell, I will tell George to take a half a dozen of his people and go out for a week himself. There is nothing more important, George.

MR. HAAS: I know.

H.M.JR: Take half a dozen people and a couple of clerks and go out yourself, George, and sit down and do it. Don't pass the buck. I want this done.

MR. HAAS: The thing here - it just happens to be that they have done a lot of work on this thing.

H.M.JR: Well, look, George, I won't be - I want to be nice today - I will say that I am not going to be stalled on this thing, and I want this.

Now, I am not going to sit around and fool around with this thing, and, George, there is nothing more important.

- 8 -

You take three or four of your best people and sit down and do it yourself for a week and come back and tell me I am right or wrong.

MR. HAAS: It isn't a week's job.

H.M.JR: You get the flavor of it.

MR. HAAS: You can't get what you are looking for in a week or anywhere near it.

H.M.JR: You can find out.

MR. HAAS: No.

MR. BELL: It is really quite a job.

MR. HAAS: I know why you are pushing for it. That is why you were interested a year - two years ago - but it is one of those things that no matter how much heat you put on it, it can't be built in that length of time. It is just impossible. I mean, I couldn't do it.

H.M.JR: I haven't got the time to do the leg work. Listen, if it is on the Hill, I will ask Sullivan to do it, see, instead of Gaston. John, I want to find out - I got this hunch - I may be wrong - that this inflation isn't going to take the form at all that it did in the last war. I want to find out. I should think Congress would want to find out. The whole question--

MR. SULLIVAN: I think they share that suspicion right now, Mr. Secretary.

MR. HAAS: I do, too.

H.M.JR: Find out who it is. I went overboard on it with the President yesterday. This was a hunch I had. He is very much interested.

MR. HAAS: Would it be any good to you, Mr. Secretary--

H.M.JR: But it is a question of seeing the committees on the Hill. Excuse me, Herbert, as long as it is the Hill, let's find out - I want enough money to find out - my gawd, we are spending a hundred billion dollars, and I may need fifty thousand dollars.

- 9 -

MR. SULLIVAN: You want an additional appropriation?

MR. BELL: We want money.

Now, the best place to get that money would be from the President's emergency program. That would be the quickest way. If it isn't prohibited by reason of the fact that Congress turned it down - you remember the provision in the bill that says the President can't allocate any money or do anything for the departments where Congress has turned it down. It just went to the committee, and the committee refused to work it out.

MR. SULLIVAN: For this particular purpose?

MR. BELL: Yes. We asked for money for the Department of Labor to do this job last year. It was the Deficiency Committee.

MR. SULLIVAN: Of the House?

MR. BELL: Yes.

H.M.JR: Do you mind getting this tomorrow? Pick this thing up, and I want something - I have stalled. I went up to Buffalo two weeks ago Friday and Likert had run out on me, and so forth, and so on.

MR. HAAS: No, he hasn't.

H.M.JR: Yes, he has.

MR. SMITH: I talked to Likert two or three days ago, and what was worrying him was the material wouldn't check out. He wanted to do a more thorough survey that no one could throw any bricks at. That is why he says it would take so much longer.

I asked him if he could just do what he did there in a hurry, and he said that he could, but economists would say it wasn't any good.

- 10 -

H.M.JR: They have nothing to argue about or answer except their own personal opinion.

MR. BELL: This lady has worked out a program on the food consumption, and there could be added to it the savings side.

H.M.JR: Let John pick this up.

MR. BELL: The survey is to be so arranged that the information would flow in weekly, and she could always give you something current so far as the information was in. She wouldn't have to wait until the final reports were in on each survey. It would be grand if we could get it going and keep it going currently and get your information every quarter.

MR. BLOUGH: That is what you need.

H.M.JR: Find out what Bell has. White, Blough, and Haas are interested. If it is a question of going up on the Hill, I wish you (Sullivan) would do that. I am pinning this on George. Is it George or you?

MR. BLOUGH: It has always been George.

H.M.JR: Where are the two-weeks budgets they did in Buffalo? They ought to be through. They were to be finished two weeks ago Saturday.

MR. HAAS: They may be down here.

H.M.JR: For God's sake, George, get on it. I am holding you - all I am asking Sullivan to do is to do the stuff on the Hill if it is a question of appropriations. But I am looking to you. Now this is important.

MR. HAAS: Well now, Mr. Secretary, would this stuff be of any use to you if it took six weeks to do it?

H.M.JR: Excuse me?

- 11 -

MR. HAAS: If it took six weeks to do it--

H.M.JR: It is like everything else.

MR. HAAS: Once you get it set up it will take maybe six weeks; from then on you can have reports every week if you want them.

H.M.JR: But Likert has something finished now - finished two weeks ago Saturday, and I am sick and tired of Likert. There was something funny up there in Buffalo.

MR. HAAS: Likert told me before that he wasn't equipped to do this type of thing.

H.M.JR: Let's drop it. I don't know - there was some monkey business going on which I didn't understand. There was something funny.

MR. HAAS: I think he would be glad to drop this and do the other.

H.M.JR: I don't care how it is done, but I want to know and everybody else who is interested ought to know.

MR. HAAS: The labor unions are very much interested, Miss Joy told us.

H.M.JR: Jay?

MR. HAAS: This is Joy, Lubin's assistant. I would like to have you meet her; she is very capable.

MR. BELL: She was Goldenweiser's assistant before, I believe.

H.M.JR: Anyway, I am interested. I want it pushed and I have to pin it on somebody. You are it, George. Now, get busy, will you? If you need some help on the Hill, Sullivan will give it to you.

How is Harry Jesse Jones White? (Laughter)

- 12 -

MR. WHITE: I will share his name if I can share everything else he has. (Laughter)

H.M.JR: I am not so sure if you would at that. I will tell you why if you come around and see me privately. (Laughter)

MR. WHITE: Not everything, that is right. (Laughter)

I have this draft, as I think you would want it brought up to date, and referring to Jones--

H.M.JR: That takes too long. I will give you a chance on that tomorrow. That is too important.

MR. WHITE: I have a cable here.

H.M.JR: Wait a minute - how long will we want to do taxes tomorrow?

MR. PAUL: How long will you want to do them? (Laughter)

H.M.JR: By eleven o'clock I will be bored. Let's give Harry eleven o'clock. I will give you half an hour.

MR. WHITE: The other thing is a long cable to Casaday for presentation to the Treasury with respect to the release of the half million dollars. The reason I am raising it--

H.M.JR: To whom, Harry?

MR. WHITE: Release of a half million dollars to a Mr. McDaniel which he has blocked there that he got through various ways.

H.M.JR: To build a port somewhere?

MR. WHITE: To build a port in West Africa. I mentioned it to you, because when I mentioned it to Waley he said, "If I had to give the answer, the answer would be no." He said he wanted a formal request. He seemed to suggest that there

- 13 -

was something fishy about the business. So this cable conveys to Casaday to convey to them the information which we have, in such form that it indicates that we are merely transmitting a request of the Navy on the basis of information which the Navy has given us and the State Department; so if these are not in accord with the facts, as Waley seems to suggest they might not be, it gives them an opportunity to come back and keeps us out as a--

H.M.JR: I didn't like it, but Frank Knox wrote me this three-page letter on it. He is on the spot if there is anything fishy.

MR. WHITE: We had a letter from Hull, too. The only thing that makes me skeptical, in addition to Waley's reaction, was that the Navy has called me up five times within a week about this thing.

Now, it may be that important over there - a port in West Africa - but it is a little unusual for this particular chap in the Navy, and he may merely be efficient--  
(Laughter)

MR. GASTON: Frank Knox is signing a lot of letters these days that he doesn't know anything about. They are making a sucker out of him in many cases.

MR. WHITE: We will handle it that way?

H.M.JR: Yes, I wouldn't be too delicate about it.

MR. BELL: Private money?

MR. WHITE: Private money. It is a half a million dollars.

- 14 -

H.M.JR: All right, keep me posted personally, if you please.

Mr. Blough, did you get home safely Friday?

MR. BLOUGH: Thank you, very comfortably.

H.M.JR: Did you hear what happened to me?

MR. BLOUGH: No.

H.M.JR: I got on a train at five o'clock in Philadelphia. We ran along very cheerfully until we got almost to Newark, then the overhead wire came down and I sat there for two hours in the train.

MRS. KLOTZ: When did you get to the country?

H.M.JR: Eleven o'clock - I left here at two-thirty and got up there--

MR. SULLIVAN: Did you say you sat there patiently for two hours? (Laughter)

H.M.JR: Yes, I didn't fuss. (Laughter)

MR. WHITE: That should teach you to fly. (Laughter)

H.M.JR: Everybody else was fussing; they were frightened, too.

MR. SULLIVAN: That was a charged wire?

H.M.JR: Yes, and the noise when it came down on the roof - the train crept along - they evidently didn't know what it was, and the noise of this thing scraping on the roof was something. I haven't had anything since my plane accident like it.

All right, Harry?

MR. WHITE: That is all.

- 15 -

H.M.JR: You get a half an hour tomorrow.

MR. WHITE: There was a meeting, if you are interested, in Lehman's office with the League of Nations and others, in which they are discussing matters of financing, and so on, that will probably come to the Treasury; and I think Bell ought to get in on it pretty soon.

H.M.JR: Bell is leaving tomorrow night for a week.

MR. WHITE: There isn't that hurry.

H.M.JR: Mr. Blough, I am seeing you tonight?

MR. BLOUGH: Yes.

MR. PAUL: I am seeing you right after this.

H.M.JR: George?

MR. HAAS: You wanted to see that chart on Federal expenditures once a week. I have it.

H.M.JR: Stand up so everybody can see it. (Chart entitled, "Weekly Federal War Expenditures, January 1943 to Date," exhibited.)

MR. HAAS: There really isn't much change since you saw it last time. There is practically no trend. It has reached the plateau and is staying there. There is some irregularity, but usually the end of the month it comes up each time. There is practically no change.

H.M.JR: Well, I thought I got from Dan Bell that it was going up again.

MR. BELL: August went up over July.

H.M.JR: Will it be seven and a half billion?

MR. BELL: It will be seven, three billions, or seven and a half, I think. July went way down - about six, eight, as I recall. It will go up three, or four, or five hundred million this month.

- 16 -

H.M.JR: How much?

MR. BELL: Three or four hundred million in July.

H.M.JR: I went in to just sample this labor situation in Buffalo. If that is a sample of the way information gets around the country, it is something terrible - I mean the whole form of organization -- which reminds me, did you call the meeting for Thursday?

MR. PAUL: Fitz did the calling.

H.M.JR: Don't you think if we are going to do Social Security we ought to have McNutt and Miss Perkins?

MR. PAUL: I put Miss Perkins in, but I didn't add McNutt.

H.M.JR: Would you add those, please?

MR. PAUL: Yes.

H.M.JR: Fred?

MR. SMITH: We rounded up the labor leaders, and they will be available on Wednesday. You can pick a time because Murray has to come back from Pittsburgh, anyway.

H.M.JR: Three o'clock be good?

MR. SMITH: Fine.

H.M.JR: Smith plus labor, three o'clock.

MR. SMITH: George will be here tomorrow night, and he has been sprung. The president sprung him so we didn't send the other telegram.

MRS. KLOTZ: What does that mean, sprung?

H.M.JR: The boss?

- 17 -

MR. SMITH: The boss, that is right.

H.M.JR: Who is the man?

MR. SMITH: Carpenter is the president of duPont.

H.M.JR: Anyway, I think the three of us can continue our circus. (Laughter)

MR. SMITH: I think so. I have got a lot of stuff coming up on labor. I am finding out how much it is going to cost to blow Berlin off the face of the earth. You will be interested to know that.

H.M.JR: Don't forget this fellow has got something I would like to use - this about pension trusts.

MR. PAUL: That still needs a little work on it.

H.M.JR: Is Smith through with me?

MR. SMITH: I am all through.

H.M.JR: How is the Generalissimo? (Laughter)

MR. GAMBLE: Very good, if you are asking about me. (Laughter)

We are making a roundup today of the ten important States.

H.M.JR: Well, if that isn't a Generalissimo - I ask you-- (Laughter)

MR. GAMBLE: I will give you a report in writing on what these fellows are doing tomorrow so you will know. They are all very good. I talked to several of them. They are from the ten important States.

You asked me some time ago about having these Congressmen and Senators put to work while they are home. We have had very good success. Ludlow is going out in Pennsylvania

- 18 -

to launch the Third War Loan. We are preparing him to--

H.M.JR: Ludlow - Pennsylvania?

MR. GAMBLE: Indiana, I mean. We prepared part of his speech for him. He has asked for a letter from you.

H.M.JR: I can't hear you.

MR. GAMBLE: He has asked for a letter from you. He is leaving tonight. I have a letter if you would sign it. (Letter to Congressman Ludlow signed by the Secretary.)

MR. SULLIVAN: He is the guy we want on that money. Sign that in big letters. (Laughter)

H.M.JR: He is leaving tonight?

MR. GAMBLE: Yes.

H.M.JR: How long is he going to be gone?

MR. GAMBLE: He is going to be gone just a few days.

MR. BELL: They don't start to work until the 14th.

H.M.JR: I can't wait until the 14th.

MR. SULLIVAN: You can't get any formal action. You can talk to them - those who are in town.

MR. GAMBLE: I should say in about twenty States we have Congressmen and Senators doing a job. That is all I have to report to you.

I might add that we haven't gotten Mr. Daniels quite straightened out yet. I think he still thinks this job - the job that we wanted him to do he didn't think - he thinks isn't important enough for him to do. He is trying to blow it into a little something else.

- 19 -

H.M.JR: I told you - I would just as leave make a record of it here. Gamble called me Saturday afternoon and it seemed that he and Daniels - Jonathan Daniels - had this idea this was an opportunity to get Mr. Elmer Davis and his organization to do an information job on the country. Well, they wanted me to ask for an appointment to see the President for Elmer Davis, Mr. Palmer Hoyt, Mr. Theodore Roosevelt Gamble, and yours truly. Well, I tested it out and we didn't seem to get very far.

I also found that Mr. Daniels had written memoranda on this already for the President - fairly hot ones - and also it didn't seem to make a very good impression. So I don't want to be pulling out their chest.

He said, "After all, you have got a better organization than they have; what can they do to help you?" So I don't know what it is all about. I told Gamble this morning I thought he had better drop it. We have about all we can swing here. And he agreed.

MR. GAMBLE: We have dropped it.

H.M.JR: You have asked for an appointment to see Early?

MR. GAMBLE: I have a call in his office now. He is to call me.

H.M.JR: You won't get a call tonight. He has gone.

MR. GAMBLE: I started at ten o'clock this morning.

H.M.JR: He is a hard man.

Is that all?

MR. GAMBLE: That is all.

H.M.JR: John?

MR. SULLIVAN: You recall there was some talk about the employers absorbing the withholding tax in the newspapers--

- 20 -

H.M.JR: Just one minute. This (indicating telegram from William A. Hart to the Secretary) is signed by Hart.

(Reading) "Re your telegram to W.S. Carpenter, Jr. Glad to know that George Albee is of such great help in Treasury program. We have promptly arranged for his release from any responsibility for our account and only hope you will do utmost to help protect his health as he has been under observation in New York hospital last few days."

It is getting around.

MR. SMITH: I don't like this business about his being under observation. (Laughter)

H.M.JR: Fred, "ain't" we all? (Laughter)

MR. WHITE: He will be right at home. (Laughter)

MR. SULLIVAN: You remember there was a lot of talk in the New York Sunday Times about how employers were paying the employees an amount of additional wages to make up for what was withheld. You wanted it looked into. We made an investigation and we didn't find anything that was terribly disturbing.

I don't ordinarily trouble you with any regulations, but I knew you were interested in the re-use of liquor bottles. Now that WPB has slapped down thirty-five percent on production, the Commissioner has recommended that under proper safeguards we allow liquor bottles to be re-used by the original users. I just wanted to tell you it was in the mill before I signed it.

H.M.JR: Refill for the bottles - it is all right, I guess.

MR. SULLIVAN: I am afraid we have to do it.

They are having a big Labor Day celebration in Manchester, New Hampshire, and have invited Knox and myself to speak next Monday.

- 21 -

H.M.JR: Say it with a smile, at least. (Laughter)

MR. SULLIVAN: No, no, it is a fact.

H.M.JR: I know, but can't you do it smiling?  
(Laughter)

MR. SULLIVAN: As a matter of fact, they had one three miles away from Rye at Hampton Beach, and I didn't think it was a good spot. (Laughter)

H.M.JR: Too far from home? (Laughter)

MR. SULLIVAN: No, I mean this other crowd is a better crowd. It will spoil the day, but after all, we are at war. (Laughter)

MR. WHITE: You have got your reservations already, haven't you, John? (Laughter)

MR. SULLIVAN: I haven't. I planned on flying up with the Secretary if it was thought I should make the trip. (Laughter)

H.M.JR: I don't know of anything more important.  
(Laughter)

MR. BELL: It is not a holiday, you know. (Laughter)

MR. SULLIVAN: I know, and I hate to be away on a working day. (Laughter)

H.M.JR: Now that is my John. (Laughter)

MR. BELL: See that you take annual leave. (Laughter)

H.M.JR: O.K., John.

MR. SULLIVAN: The Navy, the Army, and the Maritime Commission have talked with Mr. Paul's office--

- 22 -

H.M.JR: I take it - speaking seriously, who will be here over Labor Day - who will be in that Saturday? I take it you are leaving Friday?

MR. SULLIVAN: Late Friday afternoon.

MR. GASTON: I will be here.

MR. BELL: I will be away.

MR. PAUL: I will be here.

MR. SULLIVAN: The Army, Navy, and Maritime Commission have talked with Randolph's crowd and me about renegotiation of the contract brokers.

H.M.JR: Don't you feel better - you got that over?  
(Laughter)

MR. SULLIVAN: No, I wasn't worried about it too much.

And their proposal was that the Treasury should renegotiate for all the other agencies. It has now developed that Navy doesn't want anybody else to renegotiate for them. I haven't had a chance to tell you this, Randolph, but now Navy wants to renegotiate the contract brokers who do business through all the other departments.

Randolph and I were prepared to recommend to you that we should not undertake the renegotiation for the other departments of the contract brokers. If you approve, I will notify them of that this evening so that we have passed that stage.

H.M.JR: Wait a minute. Let me see. As I understand, our position is we won't do the renegotiation, anyway.

MR. SULLIVAN: We won't do it for the other departments.

Now a new question which is raised today is whether or not we would be willing, or would want to have the Navy do it for us. The Navy is going to do it for the Army and for the Maritime.

- 23 -

H.M.JR: And our answer is?

MR. SULLIVAN: I don't know. I want to go over that. I want to talk to Handolph.

H.M.JR: Why should the Navy do it for us?

MR. PAUL: You mean in cases where we have the preponderance of interest?

MR. SULLIVAN: The proposal of the Navy - and the Army is apparently going to accept - is that the Navy will do all the renegotiation on contract brokers for both the Army and the Navy.

H.M.JR: I will tell you right now they won't do it for me.

MR. BELL: Regardless of the interests of the Navy?

MR. SULLIVAN: That is right. That is probably the way I would feel about it, too, but there are one or two things--

H.M.JR: You look into it, but--

MR. SULLIVAN: At least we will tell them we don't care to take up the renegotiation of theirs. That is the original proposal. What I learned today came to me--

H.M.JR: Sub rosa?

MR. SULLIVAN: That is right.

H.M.JR: Anything else?

MR. SULLIVAN: That is all.

H.M.JR: Herbert?

MR. GASTON: I have nothing.

## War Finance Committee

August 30, 1943

Mr. Walter Carpenter, Jr., President  
E. I. DuPont De Nemours & Company, Inc.  
Wilmington, Delaware

I will appreciate a great deal your releasing George Albee of your Advertising Department to the Treasury for the duration of the Third War Loan Drive. I depend upon Albee greatly in the preparation of my speeches and statements in connection with War Loan Drives. In view of the tremendous job ahead, I will be called upon to use him considerably more than in the past. I should like to have his services starting immediately, and lasting through the month of September. I can assure you that both he and DuPont will be making a definite and important contribution to the war.

Henry Morgenthau, Jr.

(OK) by 7-8.

Sent to telegraph room 11:15 A.M. 8-30-43

G  
R  
A  
P  
H  
  
T  
R  
E  
A  
S  
U  
R  
Y  
  
T  
E  
L  
E  
G  
R  
A  
M

WU61 59 DL

TDP WILMINGTON DEL AUG 30 1943 334 1943 AUG 30 PM 4 37

HENRY MORGENTHAU JR

SECTY OF TREAS

RE YOUR TELEGRAM TO W S CARPENTER JR GLAD TO KNOW THAT GEORGE  
ALBEE IS OF SUCH GREAT HELP IN TREASURY PROGRAM WE HAVE PROMPTLY  
ARRANGED FOR HIS RELEASE FROM ANY RESPONSIBILITY FOR OUR ACCOUNT  
AND ONLY HOPE YOU WILL DO UTMOST TO HELP PROTECT HIS HEALTH AS HE  
HAS BEEN UNDER OBSERVATION IN NEWYORK HOSPITAL LAST FEW DAYS

WM A HART DUPONT.

436P

Treasury Department

55

TELEGRAPH OFFICE

WU61 59 DL (COPY)

TOP WILMINGTON DEL AUG 30/43 334P

HENRY MORGENTHAU JR

RE YOUR TELEGRAM TO W S CARPENTER JR GLAD TO KNOW THAT GEORGE  
ALBEE IS OF SUCH GREAT HELP IN TREASURY PROGRAM WE HAVE PROMPTLY  
ARRANGED FOR HIS RELEASE FROM ANY RESPONSIBILITY FOR OUR ACCOUNT  
AND ONLY HOPE YOU WILL DO UTMOST TO HELP PROTECT HIS HEALTH AS HE  
HAS BEEN UNDER OBSERVATION IN NEWYORK HOSPITAL LAST FEW DAYS

WM A HART DUPONT

438P

TREASURY DEPARTMENT

56

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Randolph Paul

August 30, 1948

Here are a few notes on my luncheon with Mr. Reuther last Friday:

Reuther said he thought the Treasury should have a better understanding with the CIO on the tax program, specifically, on strategy and timing. I said I would talk with Mr. Murray and others.

Reuther was concerned about the policy on disposing of industrial plants after the war. He wondered if some would be operated as yardstick plants. He mentioned the fact that the Government owns large sections of many plants. He suggested that the Government ought to take over some of the big airplane plants and turn them into factories for making prefabricated houses. He said the A. F. of L. building trade unions would fight such a move tooth and nail, but that total employment would be greater that way and it would not interfere with employment in the construction of city buildings, schools, etc.

I brought up the subject of renegotiation of contracts and pointed out that the question of reserves came in there. We both agreed that reserves should not be allowed generally because a lot of people aren't going to reconvert at all.



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE August 30, 1943

TO Secretary Morgenthau  
FROM Mr. Hesse  
Subject: The Business Situation,  
Week ending August 28, 1943.

Summary

Industrial production: Due largely to a sharp gain in coal output following termination of the coal strike, the FRB adjusted index of industrial production rose to a new high of 205 in July from 202 in the previous month. Munitions output showed a further increase during July but aggregate manufacturing activity was virtually unchanged. Minerals production, however, rose 16 percent above June levels.

Manpower: Shortage of manpower is the most frequently cited obstacle to the attainment of production goals at the present time. A recent WPB survey of 600 manufacturers whose war output was lagging revealed that labor shortages were the principal retarding factor in a majority of cases. Actual and prospective shortages of workers in West Coast aircraft plants continue to be a particularly serious problem.

Commodity prices: Commodity prices moved higher last week and the BLS index of 28 basic commodities rose 0.3 percent to a new high. Unfavorable crop news caused by drought conditions in two large areas had a bullish effect on grain and cotton prices. In the week ended August 21 the all-commodity index advanced slightly after a decline in the preceding week to the lowest point in six months.

Food program: The Government will support farm prices at a level high enough to cover "the added risks and hazards that go with increased production" War Food Administrator Jones disclosed last week. Specific support prices will be announced far enough in advance to allow farmers to plan accordingly. Moreover, the distribution of food products will be controlled, perhaps through the licensing of processors and handlers.

Stock market: Trading activity last week dropped to the lowest level of the year and prices at the close on Saturday were virtually unchanged from a week earlier. Industrial stock prices at London have levelled off around the year's high since the early part of August.

- - - -

- 2 -

### Industrial activity at new high

Industrial production rose to a new high in July due largely to a sharp gain in coal output as the previous month's work stoppages in the coal mines were brought to an end. Reflecting a 16 percent rise in minerals output, the FRB adjusted index of industrial production for July rose to 205 from 202 in the previous month. (See Chart 1.) In this connection it should be noted that the FRB index is now in process of revision and when the task is finally completed it is expected that the index will stand at higher levels than heretofore reported.

Munitions output showed a further increase in July and durable goods production on the whole rose moderately. Steel ingot production increased 1 percent while iron ore shipments reached the highest level on record although cumulative shipments in 1943 were still about 19 percent behind year-earlier levels. Aggregate nondurable goods production in July was unchanged from the previous month with the most notable gains occurring in meat packing and cigarette production, while shoe production and cotton textile activity declined.

### Manpower shortage principal threat to production

The dominant factor in the production outlook at the present time is generally conceded to be the manpower problem with complaints of labor shortages being heard on all sides. A recent WPE survey of 600 manufacturers whose war output was lagging revealed that lack of manpower was cited as the biggest problem in 60 to 70 percent of the cases. Moreover, the survey disclosed that complacency over good war news was a relatively unimportant factor in slowing up production.

Manpower shortages of the aircraft industry continue to be of particular concern and press reports indicate that WPE officials are of the belief that some form of blanket draft deferment will be necessary to meet peak production demands for planes. West Coast aircraft workers have already received a 60-day blanket draft deferment and several types of aircraft workers have been included in the list of critical occupations deferred from the draft for the duration of the war. More comprehensive measures along these lines, however, may have to be put into effect before the demands of the situation can be fully met.

### Commodity prices rise

Commodity prices moved higher last week and the BIS index of 28 basic commodities rose 0.3 percent to a new high.

- 3 -

Unfavorable crop news stemming from drought conditions in two large areas had a bullish effect on grain and cotton prices. Oats (which is not included in the index) brought the highest price since 1920. Curtailed receipts caused a moderate increase in hog prices and a strong demand buoyed steer prices. Hog prices have risen over 9 percent in the last seven weeks. While hog marketings have declined seasonally, they continue considerably above last year. Rosin and wool top prices rose but flaxseed declined below ceiling levels as the new crop movement broadened. (See Chart 2.)

The BLS all-commodity index in the week ended August 21 advanced slightly after a decline in the preceding week to the lowest point in six months. At 102.8 the index is now 37.1 percent above the pre-war level of August 1939. A sharp increase in fresh fruit and vegetable and hog prices was largely responsible for the recent rise in the index.

#### Stock market dull and inactive

In contrast with the moderate show of strength in commodity prices, the stock market last week continued dull and inactive with daily average trading volume falling to a new low for the year. Stock prices at the close on Saturday were virtually unchanged from a week earlier but the average level of prices for the week was lower with industrial stocks showing a decline of about 1 percent.

After rising to new highs immediately after Mussolini's downfall, industrial stock prices in London have levelled off since the early part of this month. Nevertheless, steady maintenance of prices at the highest level of the year contrasts with the action of the New York market where industrial stock prices have been moving somewhat uncertainly in a range about 7 percent below the 1943 high. (See Chart 3.) Alluding to the contrasting action of the London and New York stock markets, the London financial correspondent of the New York Times recently made the following pertinent comment:

"While activity on the London Stock Exchange recently has diminished its air of jaunty confidence, a still moderately good turnover contrasts favorably with Wall Street's appearance of dejection and business slackness. This, in London's opinion, can only be ascribed to the different manners in which the two markets view the approach of peace. To Britain the prospect of peace carries with it a chance for reduced taxation, and consequently for expanding revenues available for stockholders, particularly of industrial companies; but the post-war prospect for American investors seems to indicate a setback is expected when big war demands no longer prevail in industry. It is a difference in taxation policy which, to some extent, produces

- 4 -

this difference in outlook and market behavior. British companies have little chance of paying bigger dividends with the excess profits tax fixed at 100 percent, but American industry still is left with something extra to distribute."

#### Farm price support pledged

Government support of farm prices at a level high enough to cover "the added risks and hazards that go with increased production" was pledged by War Food Administrator Jones last week. The Government will stand ready to buy any commodity surpluses that fail to move at the support price, thus possibly compelling the Government to absorb a loss in some cases. Specific support prices will be disclosed far enough in advance to allow farmers to plan accordingly.

Furthermore, Mr. Jones promised a "controlled distribution" of farm crops, which might involve the licensing of processors and handlers. Existing processor and wholesale and retail facilities would be utilized for the program. The mechanics of the 1944 food program will be announced step-by-step, it was indicated.

#### Potato loan program announced

Implementing this price support policy, the War Food Administration recently announced an Irish potato loan program in which it reserved to itself "the right to permit redemption below loan value." The WFA stated that in event redemption is permitted below the loan value, the OPA is prepared to modify the regulations so that consumers will receive the benefit of any reduction in price.

Non-recourse loans will be made to growers and co-operative associations on potatoes in approved warehouses and to dealers and shippers who buy from growers at the support prices during the fall and winter months. The loans will be based on the support prices announced for each producing area last spring. All loans will be callable in whole or in part on demand and a sufficient volume will be called from time to time to ensure the movement of the 1943 crop by the time the 1944 crop becomes available.

Potato production is now forecast at 443 million bushels or 72 million bushels above last year. Although approximately one-fourth of this year's crop will have been disposed of by September 1, the estimated 330 million bushels remaining to be sold after that date will be more than 50 million bushels above normal. When the early potatoes came on the market

- 5 -

this year the Food Distribution Administration had to buy up about 6,400 carloads in order to maintain prices at the support level. The loan program should replace such purchases in supporting prices. Furthermore, it should tend to prevent the recurrence of another potato shortage such as developed last spring.

#### Drought endangers milk supply in eastern area

The intensification and extension of the drought from Virginia and Maryland northward to southern New Jersey and Pennsylvania is causing increasing concern, particularly because of the effect it may have on milk supplies in the coming months. In this area crops have suffered severely and much of the pasture-land has been ruined. Farmers are reported to be already tapping their winter hay supply to feed their cattle and the Mid-Atlantic States Drought Emergency Committee stated recently that "increased liquidation of livestock is inevitable unless farmers in the drought-stricken area can obtain at least 200,000 tons of hay and not less than 600,000 tons of grain in addition to their normal purchases of both." Meeting with the Committee the President of the CCC, J. B. Hutson, said that his agency would send corn and hay to the drought area in order to help maintain milk and egg production.

The drought in the Southwest has greatly expanded and rain is now needed generally in the southern portion of the Ohio Valley, the lower Mississippi Valley, the central Gulf area, Texas, and the Plains states from Oklahoma to Nebraska. The most critical states are Oklahoma and Arkansas, where most late crops have been destroyed or seriously damaged and pastures burned up. The scarcity of feed and water has forced heavy selling of livestock in some sections.

#### Resumption of molasses imports for alcohol production

A tentative program for the reconversion of Eastern alcohol distillation plants from a grain to a molasses base has been set up by the WPB, it was reported last week. The program calls for the importation of 5 to 10 million gallons of black strap molasses in September and 15 to 20 million in October in addition to the small quantity of molasses already coming in to fermentation plants on the Gulf. Actual production of alcohol from molasses is not likely to get under way until November, since stocks must be built up in order to assure a steady supply of raw material.

The carrying out of the program depends upon the availability of tankers to transport the molasses from

- 6 -

Puerto Rico, Cuba, and Santo Domingo to this country. According to press reports, the War Shipping Administration has indicated that it may make seven tankers available. Although this number would be considerably less than the 20 tankers used to transport molasses before the war, it is felt that the seven would be sufficient to permit the regular industrial alcohol producers in the East to reconvert about 60 percent of their capacity from grain to a molasses base.

There are several important advantages to be derived from the reconversion of alcohol plants to a molasses base. Probably the most important is that it would help to make available a larger amount of grain for feeding purposes. It is estimated that the use of molasses would release 66 million bushels of grain annually. Other advantages of the reconversion are: (1) a sizeable reduction on the cost of the alcohol, (2) a boost in the alcohol production rate, and (3) a saving in labor.

If tankers cannot be obtained for the importation of molasses for alcohol production, raw sugar has been considered as a substitute for the molasses. The use of sugar to make alcohol, however, might prevent an increase in civilian sugar allowances which the President recently indicated was likely. Thus, despite the announcement last week that the United States has negotiated with Cuba to purchase a minimum of 4 million tons from the 1944 crop, or a million more than this year, sugar authorities of the WFA were reported to have said that there is little likelihood of an increase in civilian allowances in the near future. Quotas of industrial users, however, were increased recently.

#### Cotton consumption declines

Domestic cotton consumption in July declined to the lowest level in two and one-half years. The July consumption of only 840 thousand bales was almost 16 percent below the corresponding month of 1942 and marked the fourth consecutive month in which consumption fell below year-earlier levels. (See Chart 4.) The decline is apparently due to labor shortages, the loss of skilled help to the armed forces, and the strain on machinery resulting from the long period of intensive use. In early July a general curtailment of production occurred to permit machinery repairs. Moreover, vacation schedules and the need for harvesting crops are tending to reduce the labor force. While production may increase toward the end of the year, it seems unlikely that the peak levels of last year can be equaled.

- 7 -

A cotton crop of 12,558,000 bales was forecast by the Department of Agriculture as of August 1. This is slightly smaller than last year's crop due entirely to the smaller acreage planted, since the indicated average yield per acre would constitute a record high. During the past few weeks, however, a continued lack of rain in some sections has caused deterioration in the crop, and it is expected that the September forecast will show some decline from that of August. With an estimated carryover of 10,600,000 bales on August 1, the over-all supply situation is comfortable, but the supply of long staple, high grade cotton needed for the armed forces is tight. It has been suggested that we import some of Peru's large stocks in order to ease the long staple supply situation.

The average price of middling 15/16 inch cotton in the 10 spot markets has declined almost 4 percent since the first of June. Last week, however, it rose noticeably as reports were circulated of crop damage caused by the drought. The 10 spot market price is now 11 percent above year-earlier levels. The farm price of cotton held close to parity during the 1942-43 season (August-July), although last month it declined to 19.60 cents per pound as compared to the parity price of 20.46 cents. Due to the rise in the parity price of cotton, the 1943 Government loan rate, announced recently, is about 2 cents higher for middling 15/16 inch cotton than the 1942 rate. Under present market prices, the trade expects that a considerable amount of this year's crop will go into loan.

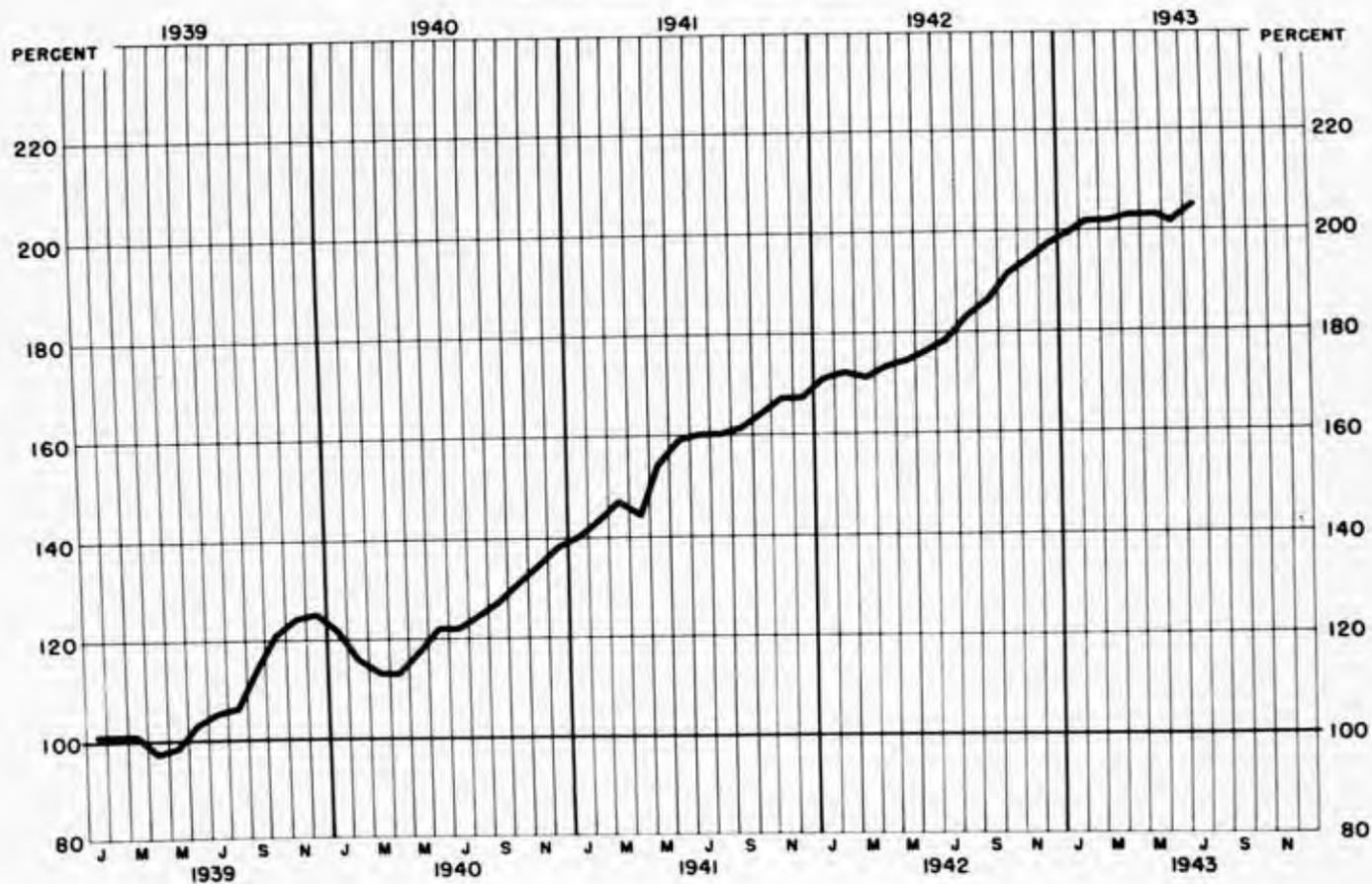
#### Retail inventories continue to decline

After rising to a record high last summer, seasonally-adjusted retail inventories have since declined almost without interruption under the impact of war-time curtailment of civilian goods production and heavy retail sales volume. At the end of June the latest period for which figures are available, inventories were down 26 percent from last year's peak. In contrast, seasonally-adjusted retail sales during the month attained the second highest level on record. (See Chart 5.)

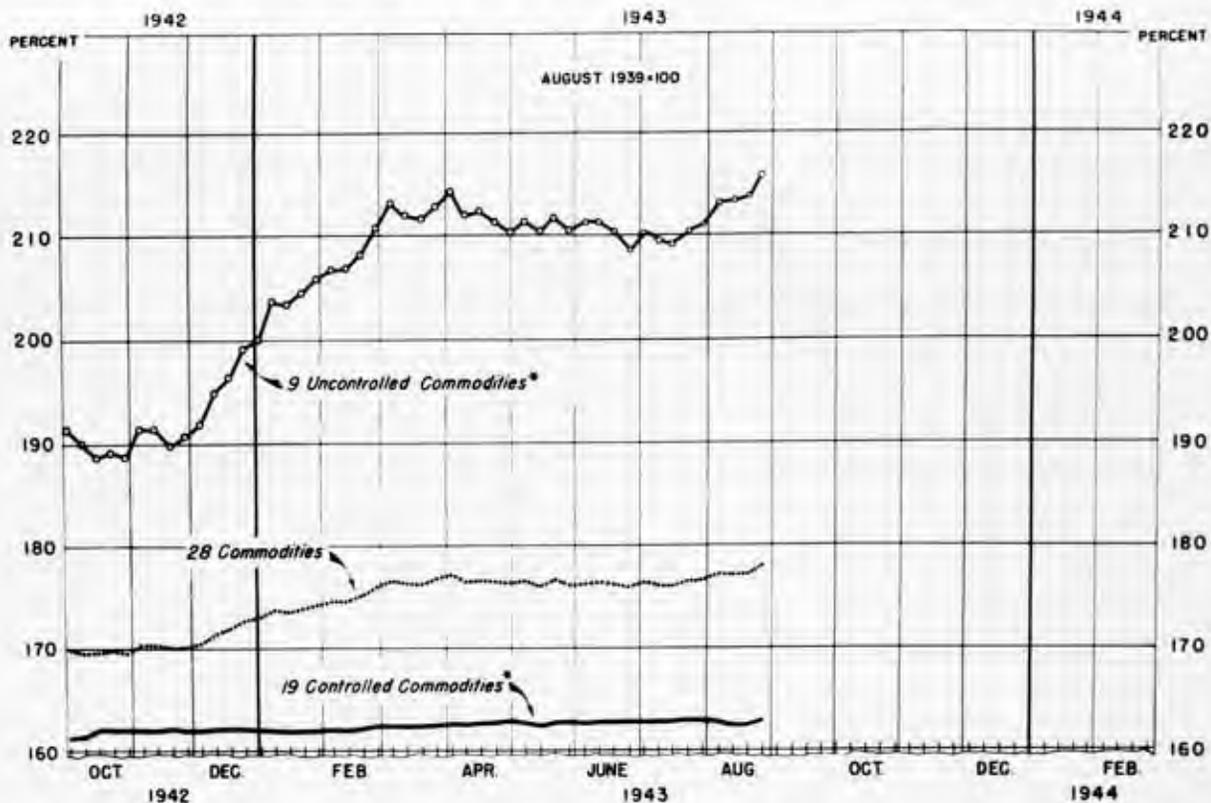
At the end of June all major retail store groups except drug stores showed inventory declines from year-earlier levels. An important factor in the decline was the 70 percent drop shown by dealers in new automobiles as a result of the cessation of automobile production. Likewise, stoppages of production of radios, refrigerators, vacuum sweepers and similar items contributed to a 26 percent drop in department store stocks.

# F.R.B. INDEX OF INDUSTRIAL PRODUCTION

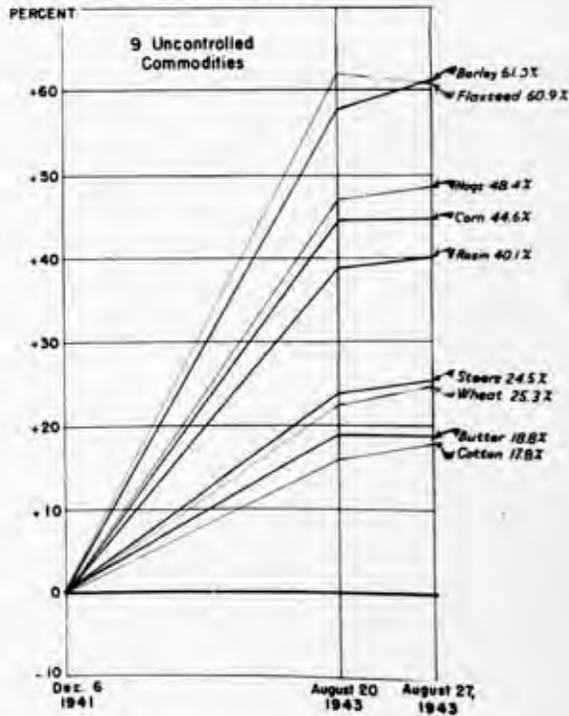
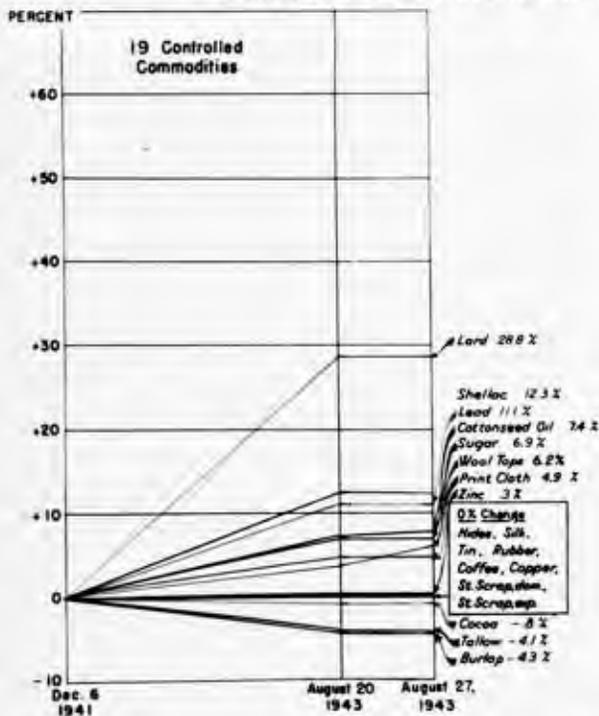
1935-'39=100, Seasonally Adjusted



# MOVEMENT OF BASIC COMMODITY PRICES



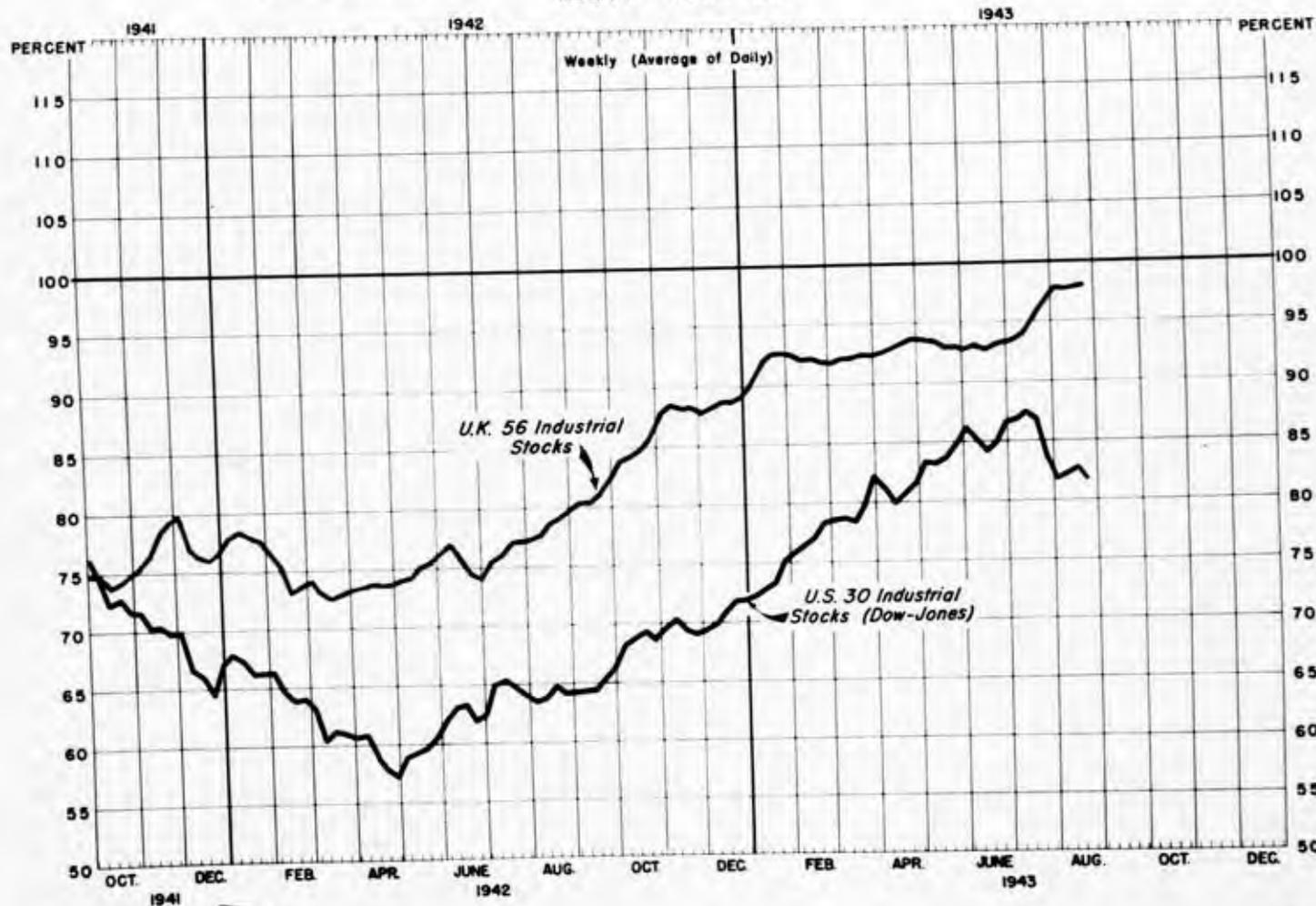
**PERCENTAGE CHANGE DEC. 6, 1941 TO AUGUST 20, AND AUGUST 27, 1943**



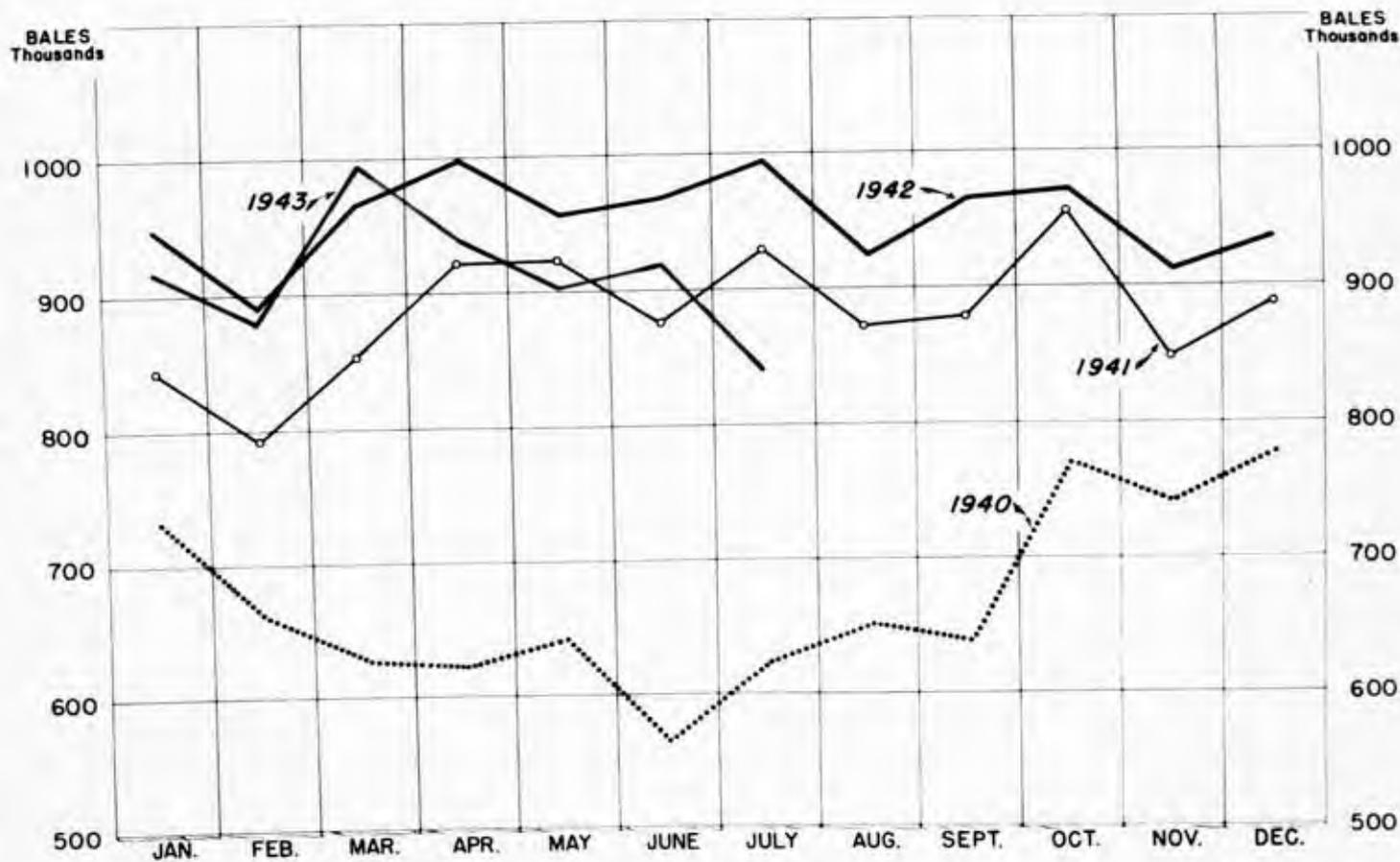
\* 20 Controlled & Uncontrolled previous to June 26, 1942

# INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

AUGUST 1936 = 100



# U. S. COTTON CONSUMPTION



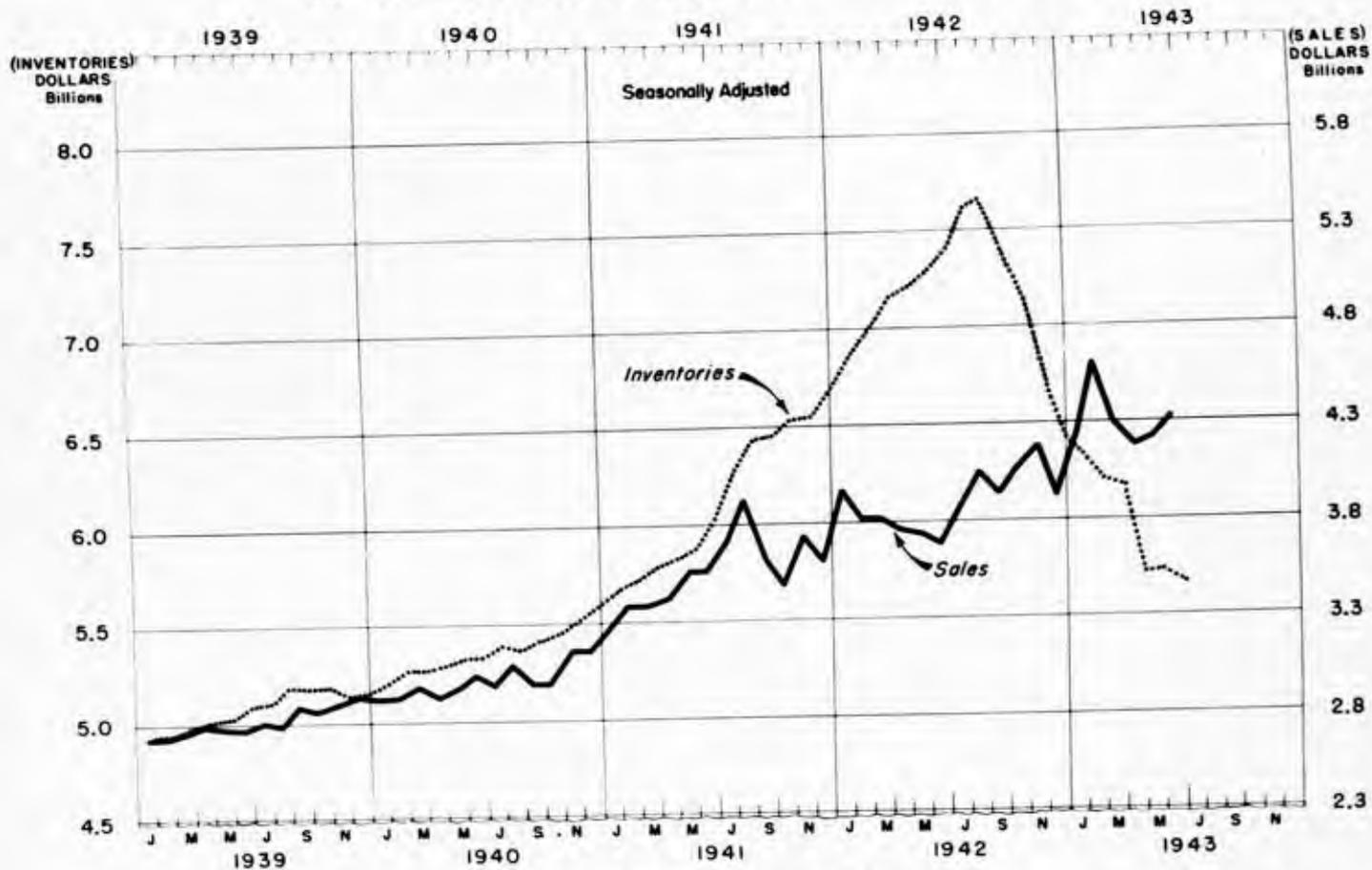
Source: Bureau of Census

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

c-487

Chart 4  
67

# RETAIL INVENTORIES AND RETAIL SALES\*



\* Retail sales to consumers and inventories of retail stores  
 Source: Department of Commerce

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

C-447

Chart 5

68

HAROLD THOMAS HYMAN, M. D.  
840 PARK AVENUE  
NEW YORK CITY

August 30th, 1943.

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

Dear Henry:

I thought the following list of questions might make things easier for you in your interview with Col. Turner:-

1. How much syphilis is there in the Army in this War?
2. What types of treatment are being used for the control of the infection?
3. How long does the average treatment last?
4. How long does it take before the blood clears under these methods of treatment?
5. What would you approximate as the number of man-days lost last year due to incapacitation as the result of syphilis, or the interruption of duties necessary to getting the routine treatment?
6. Is it possible to satisfactorily complete treatment in combat zones under the present auspices?

If not, how many men are incompletely treated and what may be the later consequences of that incomplete treatment in terms of disability, pension, etc.?

7. What is the present ruling of the Army relative to Air Corps men who become infected with syphilis?
8. Have you any way of approximating the number of trained Air Corps men who are grounded because of syphilis?
9. Have you any way of estimating the number of Air Corps man days lost due to the present method of dealing with this problem?
10. When one member of an Air Crew is grounded, because of syphilis, is the rest of the Crew grounded?

Page No. 2  
Mr. Henry Morgenthau, Jr.  
The Secretary of the Treasury

August 30th, 1945.

707

11. If these men are also grounded, how seriously does this impair the efficiency of the Air Force operations?
12. Was this at all a problem to General Eisenhower in North Africa, and is it a problem to him today?
13. Is this a problem to General MacArthur?
14. What is the present status of intensive treatment by the five-day method?
15. Has the method been approved by the Subcommittee on Venereal Diseases of the National Research Council for use under special circumstances?
16. What are the <sup>Army</sup> requirements for use of five-day treatment?
17. Would five-day treatment greatly cut down the number of man days lost?
18. Would five-day treatment increase the efficiency of the Air Forces if, after treatment, men were permitted to return to duties within a short time?
19. Is five-day treatment being used at the present time in the Army and, if so, where?

How many patients have been treated?

20. Why is not five-day treatment being more widely used other than the risk of the serious treatment reactions estimated at 1 to 100, and treatment deaths estimated at 1 to 300 or 1 to 400.
21. Is it true that the treatment reactions are more serious in the reported experiences amongst women than amongst men?
22. Is it not possible that treatment reactions and treatment deaths will be fewer in a male contingent?
23. How many patients have been treated under the auspices of the United States Public Health Service?

What is the opinion of the United States Public Health Service statisticians relative to comparative efficiency, comparative cures and comparative toxicity?

24. If the United States Public Health Service is moving along so rapidly with intensive treatment, why does the Army lag behind?

With my kindest regards,

Sincerely,



Harold Thomas Hyman, M.D.

71  
7



**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission  
who enclose Statement No. 100 -- Aircraft Despatched  
-- for week ended August 24, 1943.

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

August 30, 1943.

MOST SECRET.

72

STATEMENT NO. 100  
AIRCRAFT DESPATCHED FROM THE UNITED  
STATES WEEK ENDED AUGUST 24th, 1943.

<u>TYPE</u>	<u>DESINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator III	M.E.	M.E.		3	
Liberator III	India	India		10	
<hr/>					
<u>CURTISS</u>					
Seamew	U.K.	U.K.	1		
<hr/>					
<u>DOUGLAS</u>					
Dakota III	U.K.	U.K.		3	
<hr/>					
<u>FAIRCHILD</u>					
Cornell II	Capetown	Capetown	22		
<hr/>					
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		12	
<hr/>					
<u>GRUMMAN</u>					
Martlet V	U.K.	U.K.	2		
<hr/>					
<u>NORTH AMERICAN</u>					
Harvard	U.K.	U.K.	52		
Harvard	S. Rhodesia	Capetown	7		
Harvard	India	Karachi	14		
Mitchell II	U.K.	U.K.		9	
<hr/>					
<u>LOCKHEED</u>					
Ventura	S. Africa	Capetown	6		
<hr/>					
<u>STINSON</u>					
Reliant	U.K.	U.K.	13		
<hr/>					
<u>VULTEE</u>					
Vengeance	India	Karachi	6		
<hr/>					
<u>VEGA</u>					
Ventura GR V	Canada	Canada			4
<hr/>					
TOTALS			123	37	4

British Air Commission  
Movements Division  
August 28, 1943



OFFICE OF THE DIRECTOR

SECRET

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

73

August 30, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of August 23, 1943, the purchases against the African Program from August 23, 1943, to August 29, 1943, totaled \$338,009.99 or a total of purchases for the program thus far of \$56,279,851.95.

Attached is report giving status of shipping against these purchases.

  
Clifford E. Mack  
Director of Procurement



## SHIPPING REPORT AS OF AUGUST 28, 1948

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Agric. Mach. & Implements	1730.91	5.5	437.52	234.52
Automotive Eqpt. & Parts	790.92	3.27	76.9	69.4
Batteries	120.77		18.75	7.
Bearings	2.09	.02	.85*	.02
Brass & Bronze	288.4	2.5	87.6	
Brushes & Brooms	.8	.15		
Bldg. Hardware & Material	243.64	45.8	210.69	178.21
Chemicals	17,126.87	698.71	6022.31	5404.4
Clothing, Notions & Textiles	15,567.75	32.6	3141.13	4730.01
Construction Machinery				.12
Copper in Various Forms	240.41	52.11	129.67	21.03
Elec. Eqpt. & Supplies	66.52	5.34	27.24	36.4
Explosives	14.15			
Ferro-Alloys	66.44	18.76		
Food & Food Products	6032.			
Furniture & Office Eqpt.	.1	.5	.01	
Glass	194.82	60.	42.78	690.44
Graphite Products	92.66		40.04	
Hand & Cutting Tools	705.23	273.27	381.66	428.85
Industrial Machinery	47.61	63.32	50.94	109.62
Iron	145.	410.	425.6	1225.4
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	1	23	
Non-Ferrous Metals, Other	386.	24.	44.86	.33
Paper & Paper Products	3576.44	2204.91	1484.04	2285.67
Rope & Twine	247.7	34.75	14.	12.
Rubber	692.25	58.8	299.23	412.97
Shoes & Boots	315.68	5.34	302.96	1159.83
Steel, Alloy & Carbon	6590.56	632.98	5379.33	5652.59

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Steel, Pipe & Tubing	229.85	21.5	53.03	12.53
Tin Plate	845.			1357.55
Zinc			29.84	25.66
Totals	57,347.34	4,655.13	19,361.48	24,054.55

\* This amount has been reduced by 2.1 tons, which tonnage was an overage caused by duplicate recording.

AUG 30 1943

My dear Mr. Stettinius:

Reference is made to your letter of December 23, 1942, relative to the lend-leasing of silver to nations requiring it for coinage purposes.

I am enclosing a copy of a letter dated August 25, 1943, which has been received from Sir Cecil Kisch, Financial Adviser to the Indian Government. This Department has given consideration to the available sources of supply, and it is our view that the need of the Government of India for 20,000,000 ounces of silver for coinage purposes over the next five months should be met from the Treasury stocks of silver in accordance with the provisions for return set forth in Sir Cecil's letter. In reaching this conclusion the Treasury has considered the essentiality of the need and the availability of substitutes for use in coinage.

If you approve, will you kindly advise Sir Cecil concerning the procedure which he should follow in requisitioning the silver and the form of letter which he should send to your office relative to the commitment for the return of the silver within five years after the end of the existing national emergency.

It is understood that the arrangements set forth in the fourth paragraph of your letter of May 8, 1943, relative to the transfer and return of silver lend-leased to foreign governments, will apply in this instance.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Acting Secretary of the Treasury

Mr. E. A. Stettinius, Jr.,  
Administrator,  
Office of Lend-Lease Administration,  
Washington, D. C.

LGA/EMB:jm 8/26/43



## INDIA SUPPLY MISSION

635 F STREET, N. W.  
WASHINGTON 4, D. C.

August 25, 1943.

TELEPHONE EXECUTIVE 5484

PLEASE QUOTE

My dear Mr. Secretary:

Reference is made to previous letters and conversations between representatives of our respective governments relative to the vital need of the Government of India for a supply of silver for coinage purposes.

Accordingly, I request, on behalf of the Government of India, that you will be so kind as to inform the Office of Lend-Lease Administration that the needs of the Government of India for silver for coinage purposes during the next five months may be met, to the extent of 20,000,000 ounces of silver, from the stocks of silver of the United States Treasury. I also request, subject to the mutual convenience of the United States and the Government of India, that this silver may be made available to the Government of India as soon as possible.

I am prepared, on behalf of the Government of India, to file with the Office of Lend-Lease Administration appropriate requisitions for the above-mentioned silver and also to transmit to that Office the agreement of the Government of India to return to the United States Treasury, within five years after the end of the existing national emergency in the United States, as determined by the President of the United States, an amount of silver bullion equivalent to the total number of ounces of silver transferred to the Government of India under the Act of March 11, 1941 from the stocks of the United States Treasury silver.

It will be appreciated if you will kindly advise the Office of Lend-Lease Administration of your approval of the foregoing request.

Yours sincerely,

*Cecil Kisch*

Cecil Kisch.

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

*Harry White for action*  
*J.M.J.*

# TREASURY DEPARTMENT

78

## INTER OFFICE COMMUNICATION

DATE Aug. 30, 1943

TO Mr. White *W*  
FROM Miss Kistler  
Subject: History of Dutch Request for a Loan

1. On February 1, 1943, Mr. Molekamp of the Netherlands Embassy, inquired informally of Mr. White about the possibilities of obtaining from this Government a loan of about \$300-\$400 million to be used to finance war expenditures and general expenses of the Netherlands Government in exile.

2. On April 29, 1943, Mr. Crena de Iongh, financial advisor to the Netherlands Government in exile, again raised the matter informally in Mr. White's office. He mentioned the figure of \$500 million and said that the proceeds of the loan were to be used to finance general expenditures of his government.

3. On July 13, 1943, Mr. Van den Broek and Mr. Crena de Iongh informed the Secretary of the desire of their Government to borrow money from this Government on a loan similar to the one made by the R.F.C. to the British in 1941. The Secretary asked for a chance to study the request and Mr. Van den Broek promised to send him a copy of the memorandum they had submitted to the State Department.

Mr. Van den Broek informed Mr. White after the meeting that the amount requested was \$300 million and that Secretary Jones had said he was quite ready to make the loan available on the collateral the Minister had in mind.

4. On July 15, 1943, the Treasury received a copy of the memorandum submitted to the State Department in which the Dutch Government requests

- a. Financial assistance to cover its present budgetary expenses either through lend-lease facilities or in the form of a loan;
- b. A loan for reconstruction purposes in the amount of \$300 million;
- c. The unfreezing of the frozen assets of the Netherlands Empire.

5. On July 28, 1943, Mr. Paul submitted to the Secretary a memorandum initialed by him and Mr. White reviewing the Dutch request for a loan for post-war purposes and recommending that the request be denied.

Division of Monetary  
Research

- 2 -

6. On August 12, 1943, Messrs. Van den Broek and Crena de Iongh repeated their request for a loan in the Secretary's office. The Secretary pointed out the decision not only had important policy implications for us but that it would set a precedent for other governments in exile. He said that the policy decision was now being studied and that he would let them know of our decision as soon as it had been reached.

7. On August 16, 1943, the President transmitted to the Secretary a copy of a letter received from Secretary Jones dated August 10 in which the latter reminded the President of the Dutch request for an R.F.C. loan and further stated that Mr. Van den Broek had told him he was to discuss the matter with the President on August 11.

8. On August 24, Secretary Jones submitted a memorandum in which he argues that we should give the Dutch a conditional commitment.

9. A memorandum from the Secretary to the President was prepared on the Treasury's position. This memorandum is to be sent to Secretary Hull for his initials, if he approves.

On August 31st Secretary Morgenthau telephoned Secretary Jones to tell him briefly the conclusion in the memorandum. The Secretary said that he was sending this memorandum to Secretary Hull along with Secretary Jones' memorandum and that he was also sending a copy of the Treasury memorandum to Secretary Jones.

C  
O  
P  
Y

80

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

Calcutta

Dated August 30, 1943

Rec'd 1:01 p.m.

Secretary of State,

Washington.

1083, August 30, noon

FOR THE SECRETARY OF THE TREASURY FROM ADLER

Arrived Calcutta August 28.

MACDONALD

WSB

Copy:bj:9-1-43

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET  
U.S. SECRETOPTEL NO. 285

Information received up to 10 a.m., 30th August, 1943.

1. NAVAL

A commando party was landed on 26th/27th at BOVA MARINA on South coast of toe of ITALY, prisoners were taken and the party returned reporting the locality undefended. On the following night, 5 other parties were landed, and having taken more prisoners remained to reconnoitre. U.S. motor torpedo boats operated North of NAPLES on 27th/28th and one of H.M. Cruisers with 1 destroyer bombarded PELLARO, South of REGGIO on 28th. 3 tank landing craft were burned out and 1 seriously damaged by fire and explosion at TRIPOLI (L) on 28th. No further details. One of H.M. Fighter Direction Ships was damaged by aircraft East of GIBRALTAR yesterday.

2. AIR OPERATIONS

WESTERN FRONT. 29th/30th. 8 Mosquitos were sent to DUISBURG and COLOGNE. One is missing.

ITALY. 27th/28th. 45 Wellingtons bombed the railway centre at SALERNO and 12 Bostons attacked gun positions at SAN GIOVANNI. 16 heavy bombers attacked COTRONE on 28th. 76 escorted Fortresses attacked the railway centre at TERNI, dropping 248 tons. 175 escorted medium and light bombers attacked the railway centres at CANCELLO and AVERSA in the NAPLES area, also LAMEZIA in Southwest ITALY, dropping a total of 227 tons. 48 Mitchells bombed CATANZARO. 39 Liberators bombed TARANTO, hitting the main station and a cruiser in the harbour. 44 Warhawks attacked FLUMINA MAGGIORE in SARDINIA. Casualties from these operations: Enemy - 31, 10, 20; Ours - 7 fighters.

TREASURY DEPARTMENT

Regraded Unclassified

August 31, 1943  
9:45 a.m.

TAXES

Present: Mr. Bell  
Mr. Gaston  
Mr. Paul  
Mr. Sullivan  
Mr. White  
Mr. Smith  
Mr. Surrey  
Mr. Blough  
Mr. Haas  
Mrs. Klotz

H.M.JR: Last night Mr. Paul called on Mr. Blough and Mr. Surrey to explain what he was thinking about, and he wasn't satisfied. So I did, and he was satisfied.

O.K.?

MR. PAUL: Your explanation was much simpler.  
(Laughter)

H.M.JR: Anyway, this is my interpretation of where we stand as of ten minutes of ten this morning. We are going forward and building on last year's tax legislation. First the consolidated Victory tax - consolidated with last year's legislation. Then on top of that we are going to put a Social Security program which will, using the favorite term of today, simulate the Wagner bill; and then - I mean, that is the foundation that we are going to work from - build on.

Then we are going to put on top of that, most likely, not the eight billion seven, but a program considerably less than that because it runs up so very rapidly in the higher brackets, and we think it is useless when the Senators and Congressmen see what it does to ten thousand

- 2 -

dollars. So we are going to try to be practical and if this group we are seeing at four o'clock, Thursday - put it on your calendar - think it isn't high enough, they can say so, and the President, if he doesn't think so.

Instead of doing this very, very high stuff and somebody else watering it down, we will go with something which will give us net, after all the other deductions, an increase over and above Social Security, roughly of about a billion dollars.

MR. BLOUGH: That is the last schedule I talked to you about. I don't have the burden tables this morning.

H.M.JR: But the way the thing looks, Social Security from individuals and employers, the Treasury should gain about six or seven billion dollars.

MR. BLOUGH: About five and a half, new.

MR. GASTON: Including employers?

MR. BLOUGH: Yes, from next year's rates.

MR. PAUL: That doesn't include corporations and excises.

MR. GASTON: No, income and pay roll.

H.M.JR: Five and a half, then two billion from excise taxes, makes seven and a half and one from corporations makes eight and a half. Is that right?

MR. BLOUGH: That is right. You haven't your income tax.

H.M.JR: That is a billion, which makes nine and a half.

Now, I told the President roughly ten, which was pleasing to him. When he (Paul) came in with the eight seven last night - I mean, before we get into details for a minute - I mean, this will be somewhere between nine and ten billion dollars extra. Now then, what Paul said is

- 3 -

this: "I am with you on that program, I can support you on that, but you are going to get turned down and get turned down flat, and you have got to have a second line of defense. If they won't give you the Social Security, I (Paul) recommend a postwar credit which will practically fit over as a glove in the same group and same bracket that the Social Security fits, and will produce about the same amount of money. I am recommending that as a second line of defense."

If they say, "Mr. Morgenthau, we are very sorry, we can't take that, but we will take this and the postwar credits would be written so that if that went in, and Social Security followed sometime later, you would get a credit for your Social Security and wouldn't get your postwar credit." The postwar credit would be in the form of a non-cashable - I think you (Paul) said interest-bearing bond - but that is unimportant.

Now, Paul and I - I can't pin Blough and Surrey down yet, but Paul and I are together up to the postwar credit thing, and I am not sure if I see all the angles to it. I want to throw it in. We agreed last night that by noon Thursday everybody in the room, including myself, has got to take a position so when we go into that meeting at four o'clock Thursday afternoon the Treasury is together for better or worse.

Have I stated it about right?

MR. PAUL: Yes. I would like to elaborate some of it.

H.M.JR: You want to elaborate? The floor is yours.

MR. PAUL: The first program is Social Security up to three thousand and a tax increase above that. I think that Social Security is going to get an immediate, quick turn-down and the committee is going to say to the Secretary, "Now, you can't have that; it is impractical. What do you want, since we are going to turn you down on that? What have you got to offer instead?"

- 4 -

Now, my reason for suggesting this postwar credit is this: I don't think we ought to have too big increases of tax in the lower brackets - very low brackets. I think we have got, however, to do something to mop up inflation, and we can't do it through Social Security, and we don't want to do it through a permanent take in the form of tax. The only thing left is some sort of a rebatable tax after the war, particularly in the lower brackets. There wouldn't be any rebate in the upper brackets. There will be maximum limitations.

Another reason for this is that it affords opportunity not only to give the credit the Secretary suggested for any later Social Security, but it affords a mechanism for giving credit by way of immediate realization of the postwar rebate in hardship cases of various types. You are able to let people anticipate their postwar credit, for one thing, if they have a declining income, or something of that sort.

Those are the main reasons. Furthermore, I think you have to - particularly if you amalgamate the Victory tax, which I am very anxious to do because of the simplification consequence on that - you are going to have a big hue and cry because you are letting out a lot of small taxpayers - taxpayers who make above six hundred and twelve a year, but less than the present exemptions.

If you do that - if you are successful there you have got to have some sort of a take - some sort of a taking away from people in the lower brackets, not only on account of inflation, but also on account of a Congressional desire to make low income taxpayers contribute to the war effort. That is a very powerful feeling.

H.M.JR: Excuse me?

MR. PAUL: I was just mentioning the fact that if you eliminate or amalgamate the Victory tax, you let out a lot of small taxpayers from doing what a great many Congressmen think they ought to do - contribute something to the

- 5 -

war effort. And you have to have something to put in the place of that mechanism where you will get - where you will run into a strong sales tax movement for increased income tax, or something of that sort. In fact, Senator George is said to have told Stam, who told us, that even a movement to amalgamate the Victory tax would strengthen the sales tax movement.

Is that, Roy, your understanding? Have you got any other points that we discussed yesterday?

MR. BLOUGH: There are undoubtedly other points. I think the real issue is whether you can think of this plan - whether you think of this with Social Security in or with Social Security out, and whether you think of Social Security as a tax or Social Security as something else. If you can think of Social Security as a tax, and you think of it as being in, that more or less cures most of these problems.

I personally feel that the Ways and Means Committee, at least, is not going to think of Social Security as being comparable to the other taxes, and is not going to like the idea of putting it in. Then if that happens and they start looking at just the income tax, they will see that for some millions of people the taxes will actually have been diminished - reduced by this proposal - that for a substantial number of others there has been no increase, and then the increases come above that level - above the three-thousand-dollar level.

I also am very unhappy about the size of the income tax that is left.

MR. BELL: The Ways and Means Committee isn't going to throw out the Social Security program because they don't look upon it as a tax.

MR. BLOUGH: I don't think that will necessarily enter into it.

- 6 -

MR. BELL: I got that from what you said.

MR. BLOUGH: I mean they will look on it as a different sort of an animal.

H.M.JR: May I just say this? There is no use going at this with the attitude you are going to be licked. It has three things that I like. First, it is very strong anti-inflationary at the level that you want; two, it is a good social program; three, it is a good postwar program. Those are the three things I am interested in. The only place where Paul and I haven't come together is on the second line of defense. But he is very insistent - which he should be, because he is going to say if the minute I leave the room they turn us down and say, "We don't want that; what else do you want?" And in the various discussions what are the various implications of a postwar credit - people of three thousand dollars or less? I mean, what effect will it have on our volunteer plan? Does it open the door to something worse, and so forth and so on? That is what I would like to get.

MR. WHITE: I am not sure I quite understand the second line of defense. Was it your thought that in the event you favored a postwar credit if other things weren't available, that that postwar credit would be the possible source of a transfer at some later date into a Social Security program? In other words, let's suppose that--

MR. PAUL: Let me explain that a little bit.

H.M.JR: Why don't you let Surrey do that? Would you mind, Paul? He gave birth to it at the request of you. You did that on me. You switched them around.

MR. PAUL: I would love to have him. I don't know who is the mother - I am sure it is an illegitimate child.  
(Laughter)

- 7 -

MR. SURREY: Mr. White, it is, as you say, in other words, the point would be, if you can't have the Social Security tax now, there is an income tax law - a mechanism whereby you can absorb the impact of later Social Security tax increases on the lower groups by simply letting them use the Social Security tax as the immediate utilization of the postwar credit.

In other words, you have a postwar credit now, but if next year Congress passes the Social Security tax along the lines of the Wagner bill, the increase in the payroll tax could be used immediately as a postwar credit.

MR. BELL: The general Social Security program at this time, and not have to consider all the benefits and things of that kind? It is the same impact on the lower individuals - lower incomes?

MR. SURREY: If you start with Mr. Paul's premise, that the committee is not going to consider seriously, at this time, a Social Security measure, but will say, "That is very nice, but what have you got in the way of an income tax proposal if we do not want to go into Social Security - what would be your next suggestion?" Mr. Paul would be suggesting, as I understand it, a revenue program which would take from people about the amount that the Secretary's program would have taken; but since the Secretary's program had the major part of it in Social Security, and hence is not a permanent taking, because they are going to get some benefits, and implies that the lower income groups can't stand the permanent taking - hence we threw in our postwar credit. Although we temporarily take the same amount of money, we say, "We will give it back to the man after the war."

MR. WHITE: Either in the form of a Social Security program or in the form of a direct rebate, depending upon a later decision?

MR. SURREY: That is right.

MR. WHITE: I think that is a very clever idea.

- 8 -

MR. BLOUGH: In a way it is building a building in which you are not quite sure what is going on the first floor, so temporarily you are going to put a postwar credit on the first floor, which would be paid back to the individual; and if later on they put a Social Security story in there, that will take the place of it.

MR. WHITE: I would like to think of it rather as laying a foundation that would be good for a building with one kind of roof or another. You decide later on the roof you put on it. I think it has a great deal of merit.

MR. SULLIVAN: I don't think so. It is exactly the same technique used in the Victory tax. The reason for the insistence on the Victory tax was that the boys who wanted compulsory savings wanted to have some device that could be used for compulsory savings. The result is, whereas your simplified form filed last March took five minutes to execute, we have had tests on the best form the boys can devise on the simplified form for March 15, and it averages fifty-five minutes. If you go back into this other thing you are going to have exactly the same situation.

MR. WHITE: I don't see the analogy.

MR. SULLIVAN: You are going to have a postwar credit; how are you going to compute it?

MR. BLOUGH: That isn't what the fifty-five minutes is given over to. It is given over partly to the twenty-five percent of the 1942 tax and the rest to insurance, life insurance, war bond purchases, and payment of debts.

MR. SULLIVAN: Upon which you base your credit under the Victory tax.

MR. BLOUGH: If you have a pure postwar credit without those things, it won't take any fifty-five minutes.

MR. SULLIVAN: I think that is right, but it is going to take some extra time. I don't object for that reason at all. I think, Mr. Secretary--

- 9 -

MR. WHITE: You weren't objecting to it for that reason?

MR. SULLIVAN: Not entirely, no. The reason I interposed on you, Harry, was that we have been through this process once of going along with something we didn't like which was later to be adapted to something else. Now, that is what the Victory tax was for. That furnished the machinery for compulsory savings if they wanted to shift it. That was why George was so insistent on keeping it in.

MR. PAUL: That wasn't why George was insistent at all. He was insistent because that was the closest he could get to a sales tax.

MR. SULLIVAN: Sure, that is why he insisted on putting it in. I think you will recall why he was reluctant to remove it was because he felt it was a device that was adaptable to compulsory savings.

Now, Randolph and Roy and Stan know a lot more about this than I do, Mr. Secretary, but I just sort of wonder if there will be the same resistance to the Social Security feature this year as there has been in the past. It has always come in the past from the employers. Now, any increase that they get in Social Security now is not going to cost them very much because it is a deduction for tax purposes, and if they are in the eighty percent bracket they will only be paying twenty percent of the increase of the tax on them. It seems to me - and I am just thinking out loud now, because I haven't heard this plan until this morning - that you have a question of strategy here with whether you are going to offer first the thing you want, and then be forced to retreat to something you may or may not want, or whether you are going to say, "Here is how much money we want; now, we think that these schedules are a little bit high, and perhaps if, in the lower brackets, you want to put this on a Social Security basis, we would be agreeable to doing that."

- 10 -

H.M.JR: No, if you don't mind - neither of the things you say are the way I am thinking about it, see? And certainly the President seemed to be sympathetic to what I am saying.

What I am thinking about, John, is an ideal that has the three points to it that I mentioned - the anti-inflation, the social aspects, and the postwar. Now, the frame of mind that I am in - it is good from the standpoint of sound economics, and also good politics.

MR. SULLIVAN: Very.

H.M.JR: It has good politics. Now, if it has all of those this time, and the President is sympathetic and will endorse it publicly, I am not particularly interested in whether we get it passed or not. So I am not particularly interested in the second line of defense. I am in full sympathy that we should have one, because the burden is going to fall on Paul and Paul should insist to have a second line of defense and get agreement. He is right. But I can also say that it doesn't particularly interest me. I mean, the two things are compatible.

MR. PAUL: Entirely.

H.M.JR: But I would like to once go up on the Hill and say something that I really can put my heart into. As I told the President, it is something that he and I can point to five years from now, or ten years from now, and gradually see the country move in that direction. You have got - somebody has to go out front and if you don't get it, all right, but five years from now, or ten years from now, or one year from now--

MR. SULLIVAN: You are offering the Beveridge plan years before they will get around to it.

H.M.JR: Let's put it one year, five years, or nine years from now it will be something that we can point to. And that is the way I feel.

- 11 -

Now, if anybody can say that it hasn't got any of these four qualities which I have mentioned, then I will take a look at it, but I don't think we should say we are not for the plan because Congress doesn't like it, or Mr. Doughton doesn't like it, or NAM doesn't like it, or we can't get it through, or that it doesn't give Mr. Paul a good second line of defense.

But for once, and I also told him this, that most likely it is the last tax bill I will present because next year there won't be one, and I would like this to be a good one. I also told him that this is going to be liked by the only people that will support it - who will support a liberal party - and that is the people from three thousand dollars or down. In the room here - I am going to be frank with you - this will be good for those people, and it is good for America, because they are America, I hope.

MR. WHITE: Why did you pick this one billion?

H.M.JR: That is a lot of computation.

MR. WHITE: What I was going to say was this. I think that on the brackets above three billion - between three billion and fifteen, you ought--

H.M.JR: Three thousand.

MR. WHITE: You ought to go the limit. I don't think a billion is high enough. I think the higher you go on those brackets the more just would your case appear.

H.M.JR: May I interrupt you? Again, I hate to be so frank, but if I can't trust you people - I would like to get full support, see? In the room here, you people know where I landed with joint returns, and all that stuff, see? Now I would much rather have the President or Ben Cohen or somebody say to me, "Look, this isn't high enough. Will you raise it?" - or at the meeting. Now, supposing, Harry, nobody says anything about raising it in that thing; would you still insist on it?

- 12 -

MR. WHITE: I think the Treasury's position would be stronger if it pushed the income tax between three thousand and fifteen and twenty-five - whatever it is - to the limit.

H.M.JR: Would you postpone the thing until Blough could come in either this afternoon or tomorrow morning with the scale?

MR. WHITE: Yes, that is the only way to determine it.

H.M.JR: After you see it, and see what it does from ten to a hundred thousand, you may say that is enough. On the other hand, we may say it is not enough. But the boys have to work nights for the next night or two to get that line to show us where it hits. I don't know - it may not be enough.

MR. BLOUGH: I think one question will have to be decided pretty soon and that is whether you want the line to be very heavy above twenty-five thousand, because that is where we have drawn this line to bite the most, on the theory that that was Administration policy and there isn't much money up there. It doesn't make much difference. But the rates on these charts are very high above that level for that reason, and we can change those quite readily.

H.M.JR: You have what you call your "M-2" haven't you?

MR. BLOUGH: Yes.

H.M.JR: Which is the eight, seven; and now you are going to strike one below that.

MR. BLOUGH: The "M-2" is the present exemptions, about six billion dollars minus the Social Security business, which means it winds up with a little over three billion dollars net. Now we have this new schedule which starts out at three billion dollars and we figure will wind up at about one. We will get you that line this afternoon.

- 13 -

H.M.JR: Wait until you see it this afternoon, Harry.

MR. GASTON: With this five and a half billion that comes, roughly, below the three-thousand-dollar line but includes, also, contributions of employers - that five and a half billion, as I understand, would that be transferred into a Social Security trust fund - all that revenue would go into a Social Security capital fund, would it, Roy?

MR. BLOUGH: That is right. Three and a half billion from workers and two billion additional from employers all goes into a trust fund.

MR. GASTON: Do you know what would be anticipated under the Wagner plan in the way of immediate disbursements, and what would be added obligations?

MR. BLOUGH: It is my understanding there would be practically no out-payments the first year; the second year would depend on how quickly the health insurance could be gotten under way. If it can be gotten under way in the course of a year, they would start out-payments the second year, which would reach in the neighborhood of three billion dollars altogether. The other payments, old age, unemployment, permanent disability, temporary disability, would probably not be substantial until after the war.

MR. WHITE: Unless the war ends sooner - you could begin within two years.

MR. GASTON: If they don't go out, you will have the Vandenberg objection that you are stealing the money, accumulating funds not needed for Social Security purposes, and the resistance to any increase in taxes.

On the other hand, if they did go out rapidly you would have the inflationary counteraction. But I think your great difficulty is going to be in that Vandenberg group who are going to resist any piling up of funds for Social Security purposes.

- 14 -

MR. WHITE: They are going to resist it anyhow. I like the approach. It seems to me what the Secretary is doing is getting away from the picture - getting far away and getting a complete perspective. There are certain things inevitable; one is the extension of Social Security. Whether it comes this year or five years or ten years, it is just as inevitable, I am sure, as that tomorrow is Wednesday. And furthermore, it is inevitable, that is one thing - isn't it Wednesday? (Laughter) - and secondly, it is the direction in which I think we all want to go. And certainly if you were to pick a time in which it is best to expand the in-take, you couldn't pick a better time than the present one.

MR. GASTON: Yes, the difficulty is, Harry, that you and a great many others advocated the scaling down of this accumulation of funds for one reason - the economic reason - the inadvisability of making a great take from the lower levels at a time of distress, whereas Vandenberg was on a totally different plane and position. He was resisting the accumulation of funds - he said we were taking the money from these people and spending it. It was all nonsense, but he is still in that position. I am just thinking of the practical difficulties. I am all for this idea.

MR. WHITE: I think probably you will find that you will get all the organized groups who think they represent the low income groups, will be strong for this at this time because they all appreciate the need of absorbing some of the income, and they are all for an extension of Social Security.

And the second large thing - it seems to me the position the Secretary is taking is one I certainly would subscribe to. After all, the low income groups are the low income groups; they get very little of the benefits of civilization; they get very little of the benefits of the things we are fighting for; they get very little of the benefits of a United States Government as it is - by very definition, they get very little.

- 15 -

Now, this is our opportunity to lift that group up; not depress them still further. And if there is anybody who ought to pay through the nose for this war, it is the fellows like ourselves who get the most benefit from the kind of civilization we get, and others higher up in the income stream.

It takes a long time to redistribute income in the direction which is also inevitable. And here is an opportunity to prevent that kind of a modification of that redistribution which goes in the wrong direction; namely, by putting relatively more pressure on the low income groups purely for fiscal reasons.

After all, fiscal policy is an instrument for larger governmental policy. It is merely a means to a larger end for which Government stands.

To use fiscal policy as a device to run contrary to the larger ends of the Government is, in my opinion, to distort and abuse the instrument.

That is why I am strongly in favor of not taxing the lower income groups as another item in the larger perspective.

MR. SULLIVAN: I agree with you, and I think the Secretary may have misunderstood my idea when I said to present this as a tax and then retreat to the Social Security.

I would very much prefer the plan as outlined by the Secretary than the same amount of money to come in the form of straight out-right taxes.

When I made the suggestion I was thinking for purposes of discussion with the leaders, in an attempt to get an agreement before you went in there.

- 16 -

H.M.JR: Look, John, again let me - after eleven years in this town - neither the President, nor I, nor anybody around the President has got enough influence to get the kind of tax bill that he or I would like to have. See?

MR. SULLIVAN: That is right.

H.M.JR: There is no question about it.

Now, I don't think - I don't know, but I doubt whether he or I - when I say I, I include Paul--

MR. PAUL: I agree with what you say.

H.M.JR: I will say the Treasury. Neither the President nor his assistants nor the Treasury, I don't think, have enough influence to defeat the thing that the Georges and Doughtons want.

I mean, I don't think that the President has enough influence. So the chances are, you are going to get the kind of thing that George and Doughton want, anyway.

So why not put up a bold front and recommend something which is good for the masses and then sit back and boast about it and keep talking about it and keep working for it, and gradually, as Harry says, we will get it.

I say it may be nine years. I am thinking of '44, and eight are '52. It may take until '52 to get it, but at least I would like to blaze the way, with the President's assistance, on this thing because all of these things take a long time, and as I say - again summing up, particularly - and I don't think we could get the first plan - I think everybody is agreed - the first thing we talked about, the twelve billion dollars from income tax.

- 17 -

I think it is very questionable whether the Administration has enough influence to stop George and Doughton and the people behind them, plus the Republicans who are getting what they want. When it is all summed up, why the hell don't we at least recommend something that the heart dictates for once?

MR. SULLIVAN: I agree with you on that, Mr. Secretary; but if you don't mind my saying so, I think you are the one who sounds defeatist about this now.

H.M.JR: I am talking here in the room.

MR. SULLIVAN: I understand that, but it seems to me that you have a far better chance of licking the thing Doughton and George want with the device you have now than you appreciate; and I think that a real aggressive fight will produce something now, not nine years from now.

H.M.JR: Well then, you are for this?

MR. SULLIVAN: Very much so - entirely.

MR. GASTON: John was raising the question as to the latter part of it - the deferred credit proposition.

MR. SULLIVAN: I was talking about the second line of defense.

MR. GASTON: We are all agreed on this primary plan.

MR. WHITE: Oh, are we?

MR. GASTON: I was just pointing out the difficulties and where they are likely to come from.

MR. PAUL: There is just no use of not having a second plan, and you might just as well face the fact that you might as well make your second plan - your second line of defense - as strong as possible.

- 18 -

MR. GASTON: About this plan, the only thing I would worry about at all - I want to look at how heavy those schedules are in those lower groups. The general scheme of taxing now for Social Security, even though it means the accumulation of a large fund - I would like to see it mean the accumulation of a large fund at this time. I am all for that, and have taxing in the lower levels for Social Security purposes.

MR. BLOUGH: It is very heavy in the lower brackets.

MR. PAUL: I would like to bring out an issue. I would like to bring out this point, because I think John is entirely agreed on the first approach.

MR. SULLIVAN: That is right.

MR. PAUL: He merely objects to the second.

Now, I say you have got to be realistic on this particular point, that the first plan you are going up with and you are going to present it; and it is going to be turned down, I think, pretty quick, but sooner or later it is going to be turned down.

Now, the moment that is turned down, the individual excess profits tax boy, the sales tax boy, and the Georges and the Doughtons will be after getting some of their stuff across, and you have got to have - you can't fight them with nothing, you can't fight them with a Social Security program; you have to have something affirmative. I think you ought to have it right at the beginning.

I think this second plan is infinitely preferable to anything else you will get. You ought to fight for it on that second front.

MR. WHITE: I am a little sympathetic with John.

H.M.JR: Do you mind - I can wait.

MR. WHITE: If you go in with that, what is troubling John - what might give trouble is that somehow you will

- 19 -

convey, quite unconsciously of course, but I mean, you will be defeated too easily knowing, (a), that you expect to be defeated, and, (b), that you have a second line of defense. I am wondering whether there is need for discussion of that point at all.

MR. SULLIVAN: And if it is discussed in the Thursday meeting, everybody on the Hill will know exactly what you said.

MR. WHITE: In view of the fact that when they defeat it, it won't be a matter of split seconds - it will be a matter of days--

MR. PAUL: Right at the first hearing.

MR. WHITE: Then you still can come together and decide much better at that moment what your next step will be than you can now. In other words, I don't quite see the necessity at this stage of the game for outlining beyond the point that you have done and getting somebody on your staff to work the thing through to have it ready. But why do you need to make any decision on this, since we can all agree to concentrate on the first point, leaving for a subsequent ad hoc decision, as the thing develops, what is the most propitious time to go to your second line of defense? I think that--

H.M.JR: Could I just act as chairman one minute? Do you mind?

Before we go into the second line of defense I would like to get the expression on the first line, which we haven't yet.

Dan, you haven't talked about it.

MR. BELL: I think it is good. I think about all you do probably is make a record. But I think it will be an excellent record to make.

H.M.JR: Could you personally go up and support it?

- 20 -

MR. BELL: Yes, sir, I think it is a good thing.

H.M.JR: You would be willing to publicly support it?

MR. BELL: Yes, sir. I think the second line of defense is weak, but I think the first thing is swell.

H.M.JR: You are satisfied?

MR. BELL: Yes.

H.M.JR: Now, Mr. Haas?

MR. HAAS: I like the first line. I take it that is going to be a public expression. I wasn't sure of that before. I have some comments to make on the second.

H.M.JR: Just comment on the first line.

MR. HAAS: That is O.K. I like it.

H.M.JR: Now, Frederik Smith?

MR. SMITH: I think you can sell it if you sell it to the people before you go - if it is sold by somebody else, not by us - if you do a Rum1 in reverse before you go on the Hill with it.

H.M.JR: How do you do a Rum1 in reverse? (Laughter)

MR. SMITH: Well, you have got some top people out through the country who are in the wrong group - in the upstairs group - who will buy this. Let them come out ahead of time without any connection with us at all and launch this kind of a thing, the business of Social Security and taxes combined, and start a snowball going before you introduce it in Congress. Then you will get some of the people behind you, and you wouldn't get caught with just willful people back here in Congress, because they will be afraid the pressure--

- 21 -

H.M.JR: Illustrate what you mean.

MR. BELL: Labor groups?

MR. SMITH: No, because they are going to be for it, anyway. But where you have some liberal groups in New York working on this post-war operation - they have among them a lot of very wealthy and well-known people. You could explain to their leaders the possibility that maybe you could combine taxes and Social Security. They would pick up the ball. I am sure of that. And they would come out completely apart from us without any reference to us and start promoting the idea that taxes and Social Security could be combined to do the things that you think ought to be done, and to combat inflation, and that it would be a good investment in the post-war, and so on.

They could do a general sales job on the public and begin to get some public sentiment for this thing. Otherwise you are going to walk up and spring this cold on the Hill, and the Hill is going to be much better organized to get sentiment against it quick because the people who are going to back this thing are the people with the money who can organize what looks like sentiment almost overnight. They can organize letter writing to their Congressmen, and so on, just while you are turning around.

So the only chance we have is to get that started ahead of time and to build a backfire, so to speak, so that we will have some sort of a stage setting when we go up.

H.M.JR: Like this group that got out the Harry Scherman bulletin?

MR. SMITH: That is right.

H.M.JR: Which, incidentally, was an awfully good bulletin.

MR. SMITH: Well, that particular group, Arthur Goldsmith, Harry Scherman, and John Farrar - they are

- 22 -

pretty close to Willkie. The first thing you know you would have Willkie promoting it. (Laughter) But people who are highly reputable and who are not crackpots, who would see the virtues of this thing before it got into politics - after it gets into politics they won't be able to see any virtues in it at all.

MR. WHITE: I would like to comment on that if you want to get around it. I differ with him.

H.M.JR: You differ with it?

MR. WHITE: Yes.

H.M.JR: Good.

MR. SMITH: I would feel very, very bad if Mr. Harry White didn't differ with me on anything I said. (Laughter)

MR. WHITE: You would know that you were slipping. (Laughter)

H.M.JR: Go ahead, Harry. I want to stick on the first line until we go to the second line.

MR. WHITE: I think that everything Fred said seems very cogent and very effective if it applied to a smaller thing. However, I think that this is too big a thing to be handled - to be subject to that kind of modification. I think that the Administration must come out with - the President must come out with it as an Administration factor; to be sure, the opposition will gain rapid ground. I quite agree with you (Smith). But I think that there can then be opportunity for swinging these groups into line very quickly and that though it would be a little less effective from the point of view at the beginning, I think you would be much more effective in the end, and it would become very quickly a matter of prime political consideration throughout the world. I think you will amass people in support who would be in support in the first place.

- 23 -

The newspapers aren't going to like it no matter whether you get this group in support or not. They are not going to like it and are going to bang away at it the same as they have any good tax measure we have ever proposed. They know it is not in their interest to have that sort of a tax. I don't think this small group is going to convince them of the contrary.

It seems to me you lose the desirability of having this come out as a definite strong Administration measure announced by the President as one of the long steps forward which he has contemplated, which is the second measure in his program. The first measure was his announcement about taking care of the returned soldiers.

MR. HAAS: Something occurs to me, I think, which would improve the whole approach. Maybe you have this in mind - it seems to me this is born out of a tax conference, that the public impression would be much better if you presented this, not as a tax measure - this whole program - but give it another name, say, an economic stabilization program where people will not associate the Social Security contributions as taxes. It is just one of the elements.

In the very early days you had that in your anti-inflation program to increase Social Security taxes, but I think it is a deterrent if you add the Social Security up just as any other type of taxes. I don't think that is necessary. You start out with your presentation of those four points you are trying to achieve. Is that right that way?

H.M.JR: I will talk to the point. While I would love to do it myself, I realize it would be so much more effective if the President would do it, and I am all for having him do it if he will. There is no argument about that.

MR. GASTON: If he would precede this with an announcement that he would make a strong drive for a Social Security program, and drive the Social Security program, and he feels so strongly about the urgency

- 24 -

of that that he has asked the Secretary of the Treasury to work out the necessary tax schedules and present it to Congress--

MR. SULLIVAN: To tide the country over the reconversion period and later--

H.M.JR: There is no question but what the President will make the announcement committing himself to this thing. That would be all to the good.

MR. BELL: Hasn't he announced two or three times that he wanted submitted to Congress a complete Social Security program?

H.M.JR: Yes, but you see, the trouble is going to be - in the talk last night again - we feel we will get no support from either Byrnes or Vinson. You feel that way, don't you?

MR. PAUL: Yes.

H.M.JR: And we also feel that the chances are McNutt, Miss Perkins, and Altmeyer will also be opposed to this.

MR. BELL: They will be opposed to it as part of the fiscal program.

H.M.JR: That is right. So it gets down to the President and what he wants to do. He has invited me twice now to come, and I thought that what I would like to do is get to him - I think we ought to have a deadline in presenting this to him next week. We ought to ask for an opportunity to present this after this meeting Thursday.

MR. WHITE: Would it be of any use, if there is time - is it wise to try to present along with your program a possible speech for the President embodying how you think he might go to town on it? Sometimes you can see the political possibilities more clearly in the form of a presentation.

- 25 -

H.M.JR: I don't know, Harry. I think he might feel we were crowding him too much. What you have got to do is to talk about this with him so that eventually he is going to like it so much that he is going to say, "Well, I dreamt this." (Laughter)

I think when you come to the speech - it is a good idea. It is the kind of thing that I would like somebody to come to me with - an idea - a speech - finished. I would fall over backwards in a dead faint. (Laughter)

MR. WHITE: Did you get that, Fred? (Laughter) I am getting even with you now. (Laughter)

H.M.JR: Well, I gather everybody here likes the idea. Right?

MR. WHITE: I didn't hear Roy. Did you express yourself completely - I mean categorically?

MR. BLOUGH: No, I didn't express myself categorically. I won't do so unless I am asked. (Laughter)

MR. WHITE: That is what I thought. (Laughter)

H.M.JR: I am going around the room. The question having been thrown to me from the floor, I now ask you the question. Where do you stand? Can you publicly support this?

MR. BLOUGH: Yes, I could publicly support this. I would like to make a few comments in addition. I think this Administration could - perhaps it can't now - I think it could have gotten a much stronger tax program if the whole Administration had really gotten to work on it - gotten back of it and made it appear really important to the public to help the war effort.

In the absence of that - and the Treasury could not do that alone by any means - it seems to me that this presents a very intelligent approach to the problem.

I do feel that the President - I do feel that as a matter of strategy it will be very necessary that a

- 26 -

preceding statement be made by the President coming out strongly for a Social Security program and saying he has asked that in devising a tax program this has been taken into consideration so that it will come up as an integrated program of taxes and Social Security contributions. I think that will be necessary to pave the way, or otherwise you get an extremely bad reaction.

H.M.JR: I amend my remarks to say that if we went to see the President with a prepared statement of what he could do in advance of my going on the Hill, I think that that would be good. You (White) said a speech. I think we should have a prepared statement for him saying something like this, "Before we went on the Hill -" I think that that would be helpful. That meets you half way?

MR. WHITE: Yes, I think that also meets George's point. I think he had a good point there about not making it seem a tax program that comes from the Treasury but rather part of an integrated program coming down from the chief in which he has asked the Treasury to adjust it, as Roy says. I think that would be very, very excellent.

H.M.JR: Why don't Paul, Blough, and Surrey take that on, a statement for the President? You might study his statement for soldiers - how he worded that - how he eased himself into that.

Now, Surrey, we haven't asked you. I have asked everybody else.

MR. SURREY: It seems to me it is a matter of far greater importance and strategy than the tax bill. As a matter of fact, if it were to be pushed by the Administration, by the Administration supporters in Congress, and by Labor, you wouldn't have a tax bill. The tax bill would be a very minor incident. You would have a Social Security - what you would be aiming for is a Social Security hearing, and, incidentally, revenue, for excises would be an unimportant part of the program, it seems to me. But that involves a major decision, it

- 27 -

seems to me, on the part of the Administration whether they want to throw this into politics and make the fight for Social Security this year. I don't see any point of starting the thing unless you intend to follow right through on it.

H.M.JR: If that is the way you feel, it isn't very important to have a second line of defense.

MR. SURREY: It depends on how the Administration is going to approach this thing, it seems to me. If it is going to just make the record and then withdraw - and that is all - and tell the Administration supporters in Congress they can forget about this--

H.M.JR: I am in your corner. I think it should be a strong thing, and I don't think - certainly when we go to see the President or see the President and the leaders - that we should talk about a substitute plan.

MR. SULLIVAN: That is right.

H.M.JR: I think that while I said what I said in the room here, we shouldn't make this recommendation for the first Social Security - call it George's economic stabilization plan - out of the sides of our mouths.

MR. SURREY: But that involves the request, really, from the President, "Gentlemen, I thought of asking you to sit down and consider a tax bill. What I am asking you to do is sit down and consider a Social Security bill."

H.M.JR: Use George's plan.

MR. SURREY: But it is not on tax matters then.

H.M.JR: Let me pin you down. In your own opinion - I am asking you as advisor to me - should I recommend to the President that he do the thing we have been talking about here last night and this morning? I am asking your advice.

- 28 -

MR. SURREY: Yes.

H.M.JR: Should I recommend that? Do you recommend to me that I recommend it to the President?

MR. SURREY: Yes.

H.M.JR: And go through with it?

MR. SURREY: Yes.

MR. WHITE: I think the possibility - the word "stabilization" should be accompanied with something else since this is far more than stabilization and reconstruction - possibly we should use some other word than reconstruction. It is not only the idea of stabilization at present, but looking forward to the post-war period.

H.M.JR: Now we have cleared the decks for this, haven't we, Herbert?

MR. GASTON: Yes.

H.M.JR: Now we come back to Mr. Paul, whose case is going to be much more difficult. I will let him do the talking about why we should have a second line of defense.

MR. PAUL: Well, if this is strongly supported by the President--

H.M.JR: I can't hear you.

MR. PAUL: I am talking low because I am not sure.  
(Laughter)

H.M.JR: Is that any reason why you can't talk distinctly? (Laughter)

MR. GASTON: He is half thinking out loud. (Laughter)

H.M.JR: But is he awake? (Laughter) You brought this on yourself. (Laughter)

- 29 -

MR. PAUL: Well, I certainly think that even with the Presidential support you are going to have - you are going to be asked what are called "if questions" up there. "If you don't get this, what do you want next best?"

Now, when you get those questions you can't have a town meeting; you can't go into a football huddle and make a lot of decisions, particularly Treasury decisions, because they take too long to make. You have to have a reply.

MR. WHITE: On the spot?

MR. PAUL: Well, if not on the spot, on more of a spot than we will be able to do. You postpone the decision and you are not ready, you don't know what to say.

H.M.JR: But, Randolph, if you have an answer it also gives them a handle; it also gives them headlines, and they will cheerfully play up the post-war credit as opposed to the plan we are talking about. You know I told you very frankly last night I wasn't yet sold. I said I would make up my mind between now and Thursday noon with the help of the people in the room here.

MR. WHITE: As I remember the past very vaguely - you gentlemen remember it far better than I - in past discussions there has been so much time spent in making up your mind, to change it, and to make it up again, and change it. I can't quite see the urgency for coming forward within a quick time as to what the second policy is. I think the answer might well be--

MR. PAUL: What are you going to say if they ask you this, "what about the - we don't know what the coverage of Social Security is. Are you going to leave them alone and put no tax on them?"

MR. WHITE: I think that is something you should know ahead of time.

- 30 -

MR. PAUL: I mean, there is a large number of people.

MR. WHITE: Those should be worked out in some general way enough to answer that question. Certainly if it is a Presidential program--

MR. PAUL: Then there will be some people who won't be covered.

MR. BELL: Randolph, is there a chance if you go up with this first line of defense that Congress will promptly separate the Social Security from the tax end and go ahead with the tax and ignore the rest of it and have that as the program for, certainly, the short session?

MR. PAUL: Yes, there is a very good chance of that.

MR. BLOUGH: It is what you want, because if they get started on Social Security, you will not get a tax bill by December 31 and not get a Social Security bill by December 31.

MR. BELL: So what you want is the tax part of it immediately, and then you consider the Social Security program later. That is what they are going to do; they are going to separate it.

MR. SURREY: I tried to indicate before; I didn't make it clear; the question involved is whether the President is really asking Mr. Doughton to change the hearings from tax to Social Security hearings at this date.

H.M.JR: I can answer that. I have heard all of Mr. Doughton's arguments. I have heard about - what is this fellow that used to come from California?

MR. SULLIVAN: Townsend.

H.M.JR: And the arguments that they will use is, "The delay - this is going to delay a tax bill. We will be here six weeks." My answer to that is, "And so what?"

- 31 -

MR. SULLIVAN: Your answer is going to be very substantially buttressed, because the grapevine tells me that tonight Harold Knutson goes on the air saying there is going to be no increase in taxes as a result of this hearing.

H.M.JR: Well--

MR. SULLIVAN: So if the position of the ranking Republican is that there are going to be no increases in the taxes for the calendar year of '44, what difference does it make if we do have a delay because of Social Security?

H.M.JR: Well, gentlemen, I want to drive home at least how I feel, and that is this: If I have had any success here, I have tried to decide what is right and wrong and then go after it. I haven't watched the gallery. I have tried to keep my eye on the ball. And the more I talk about it, the more it seems to me that this is good for all the reasons I gave; and if we are going to sweat those fellows for one year - Mr. Roosevelt can stand it a great deal better than anybody else. And as he sweats them - if he makes up his mind he is going to do it - he will be gaining votes every day.

MR. SULLIVAN: I think you are right.

H.M.JR: When I say votes, I don't mean whether he runs or whether he doesn't, but his home-front situation will improve because at least the issues will be clarified. It won't be, "Are you going to get - can you do pleasure driving on your honor and get no gasoline, or, can you not do pleasure driving and get no gasoline?" (Laughter) I mean, that is what it is.

MR. WHITE: In other words, you get no gasoline.  
(Laughter)

H.M.JR: I mean, that is what the issue is; it is just as dumb as that. But at least this is something worth fighting for.

- 32 -

MR. PAUL: There is no question but what you will get a lot of labor votes, because I have talked to a lot of labor people.

H.M.JR: If you keep talking to those people long enough, they are going to sell you on the volunteer plan. (Laughter)

MR. HAAS: Can I say something about the second line of defense?

H.M.JR: Sure. Come up closer so we can hear you, because you may be talking low, too. (Laughter) Or were you thinking the whole time I was talking about what you were going to say next? (Laughter)

MR. HAAS: No.

If Germany folds up pretty soon, you won't need any second line of defense, and my suggestion is stay on the first line until Hitler does fold up.

H.M.JR: Well, along those lines, I gradually come out with what I said to the President, "After all, Mr. President, my people tell me that the Social Security thing will not get working the first year so we take out seven billion dollars. It will take pretty near two years to become effective - before we begin to give out very much." I said, "Certainly it is safe to say that the war isn't going to last more than two years."

He made no comment.

MR. HAAS: With Germany out the expenses would drop down to maybe fifty billion or something like that, and the second line wouldn't be necessary.

H.M.JR: I wasn't talking of the second line, but I put it to the President like this, "This is anti-inflationary. We wouldn't begin to pay the thing out for at least two years, and by that time we ought to have an armistice with Germany."

- 33 -

MR. SULLIVAN: Our vote on plan one was on the principle, I assume. I haven't seen any of the rate schedules. I just wanted to make sure.

H.M. JR: Yes. That is your conservative ancestry rising up. (Laughter)

MR. SULLIVAN: I might think they are high, or I might think they are low.

MR. WHITE: You are going to meet some opposition from the Social Security people, apparently. I think we are all in agreement that if they are not in agreement with the President's policy or with this that it will make the task much more difficult, because it will cease to be an Administration policy if they say "Even the Social Security people are against it. It is some sort of a cockeyed idea," I think we have to be able to convince them at least to the extent where they won't take that position. I personally think they take a very specious position. I know Altmeyer takes the position that Social Security is an independent matter from fiscal considerations. The answer is "Nonsense." Your selection of one time as against another is purely dictated by fiscal reasons, and you are not arguing the desirability of Social Security; he will concede that. You are merely arguing the timing, and from the point of view of timing, it is a fiscal problem.

MR. BELL: It was fiscal when they didn't want to increase the rates.

MR. SURREY: Altmeyer would not object if Doughton said, "I am scheduling Social Security hearings on October 1," would he?

MR. WHITE: He might. I can't figure him out.

MR. BLOUGH: He would be delighted.

MR. GASTON: It seems to me from what I heard from Altmeyer that Altmeyer's objection was simply to trying to sell Social Security as a fiscal measure. He wanted

- 34 -

to sell it for the value of Social Security; attempting to sell it as a device - as an excuse for getting more taxes was objectionable. I don't see why we can't sell a bill of goods to Altmeyer and get him to support this thing.

H.M.JR: Can I answer that? I have asked Paul to see if he could get hold of McNutt, Miss Perkins, and Altmeyer this afternoon or tomorrow afternoon and have a talk with them and see whether he can prepare them and let them know how the President believes.

I think we have gone as far as we can this morning. I would like Paul, in the light of this conversation which I am sure has raised some questions in his mind, to think about it. Now, when should we begin on this thing? There isn't time enough to meet tomorrow morning.

Then if these schedules are available, Blough can sit down with anybody that wants to sit down with him. I don't want to tie up all this afternoon again.

MR. BLOUGH: Everything will be definitely available in the morning. It probably will be available along toward the latter part of the afternoon, but I would, for Banyas' sake, have it tomorrow.

H.M.JR: Why don't we say we will meet again tomorrow morning at nine o'clock. Is that all right? Tax meeting at nine tomorrow morning. Then we can continue. Is that all right with everybody?

MR. SULLIVAN: Yes. I think it might be helpful, Mr. Secretary, if Roy does happen to have those rate schedules ready in the afternoon to send them around so we will have a chance to look them over.

MR. BLOUGH: Some are ready. We will have them photostated and distributed.

H.M.JR: I think we will stop.

August 31, 1943  
11:23 a.m.

HMJr: Hello.

Operator: Mr. Jesse Jones.

HMJr: Hello.

Operator: Here you are.

HMJr: Jesse.

Jesse Jones: Yeah.

HMJr: Henry talking.

J: Yeah.

HMJr: Jesse, I called you on August 12th to tell you I was going to send a memorandum to the President on this Netherlands loan....

J: Yes.

HMJr: ....but before sending it I was going to send it to Mr. Hull....

J: Yeah.

HMJr: ....to see whether he was in agreement with me.

J: Yeah.

HMJr: Well, since then you've had certain conversations with Harry White....

J: Yeah.

HMJr: ....and in this memorandum to the President which has - which I'd like to send, I've put in this paragraph in the light of the discussions which you have had with Harry, see?

J: Yes.

HMJr: "Since making a request for the loan, the Dutch Finance Minister has, I understand, informed Secretary Jones that they will be satisfied with our commitment to make the loan after the war subject to whatever conditions we would wish to impose with respect to its availability and its use.

J: Yes.

HMJr: "Mr. Jones feels that there will be no harm in such a qualified commitment and to be of some assistance to the Dutch Government and is inclined to favor making such a commitment." Now, is that a fair presentation of your views?

J: Perfectly.

HMJr: Well....

J: Would you mind just attaching my letter to your memorandum?

HMJr: Sure - that - I'd intended doing that anyway.

J: Yeah. If you just do that I think that will be perfectly all right, Henry.

HMJr: And then I go on and give the reasons why I don't think it should be done.

J: Yeah.

HMJr: Now, I'm sending it over to Hull with all the attachments....

J: Yeah.

HMJr: ....and - uh - I don't know how he feels....

J: Yes.

HMJr: ....and I will send you a copy of my memorandum that I'm sending to Hull.

J: Are you sending it to Hull or the President?

HMJr: I'm sending it to Hull in the first instance.

J: I see - and then it goes to the President?

HMJr: If - if Hull agrees - if Hull agrees.

J: I see. Okay.

HMJr: But in the meantime, I will send you a copy.

J: Yes.

HMJr: Is that fair?

J: Perfectly fair.

HMJr: I thank you.

J: Tomorrow you have a tax meeting?

HMJr: Thursday at 4:00 o'clock.

J: Thursday, yes. Well, I've got our boys - some of our fellows - figure fellows down at Commerce on this thing....

HMJr: Yeah.

J: ....figuring on it - could I bring them along to the meeting?

HMJr: Be delighted.

J: Fine, thank you.

HMJr: Be delighted.

J: All right.

August 31, 1948

Dear Jesse:

For your information, I am enclosing herewith a complete set of the correspondence which I have just forwarded to Cordell Hull, as per our telephone conversation of this morning.

Sincerely yours,

(Signed) Henry

Honorable Jesse Jones,  
Secretary of Commerce.

*By Miss (Landy) 5.15.8/2*

August 31, 1943

Dear Cordell:

I am sending you herewith a photostat of a memorandum from the President.

We have drafted a memorandum for the President, and before forwarding it to him, I would like to have your approval so that I can inform the President that this is the combined opinion of State and Treasury.

Sincerely yours,

(Signed) Henry

Honorable Cordell Hull,  
Secretary of State.

Ry/Alas 8:30  
Steiger

THE WHITE HOUSE  
WASHINGTON

August 16, 1943.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY:

FOR YOUR INFORMATION AND  
PLEASE RETURN FOR MY FILES.

F.D.P.

THE SECRETARY OF COMMERCE  
WASHINGTON

Aug 11 11 43 AM '43

August 10, 1943

Dear Mr. President:

You will recall that I mentioned to you some time ago that the Dutch Government wanted to arrange for a loan of \$300,000,000, to be used in reconstruction of their country after the war.

When Mr. Van den Broek was in to see me I gave him a copy of our loan agreement under which we loaned the British Government \$425,000,000. Mr. Van den Broek later submitted a list of collateral and would like to arrange for the loan on the same general terms under which we made the British loan, the security to be United States investments entirely acceptable to us. The RFC would make the loan at 3% interest, the money to be drawn after the war.

I am writing this letter because Mr. Van den Broek advised me he expected to discuss the matter with you tomorrow morning.

Sincerely yours,

*Samuel H. D. ...*  
Secretary of Commerce

The President  
The White House



September 8, 1943

## MEMORANDUM FOR THE PRESIDENT

The Netherlands Government has made a request that this Government commit itself to a loan of \$300 million to be obtained from the R.F.C. and to be secured by the pledge of privately owned securities in this country belonging to nationals in the Netherlands. It is our understanding that this loan has been requested by the Netherlands Government for the purpose of financing postwar purchases and not for meeting its war expenditures which are amply provided for under Lend-Lease arrangements.

Since making the request for the loan the Dutch Finance Minister has, I understand, informed Secretary Jones that they would be satisfied with our commitment to make the loan after the war subject to whatever conditions we would wish to impose with respect to its availability and its use. Mr. Jones feels that there would be no harm in such a qualified commitment and it would be of some assistance to the Dutch Government and is inclined to favor making such a commitment. I am appending his memorandum on the subject.

It seems to me, however, that it would be unwise to make even a limited commitment at this time for the following reasons:

1. The financial resources of the Netherlands Government are substantial and entirely adequate to meet the contemplated payments on postwar orders they may wish to place. According to its own memorandum, the Netherlands already holds in the names of the Government and the Central Banks large resources in the form of gold, dollar balances and foreign exchange, amounting in all to more than \$1,050 million of which more than \$900 million is in the form of gold and dollars. This is in addition to the privately owned Netherlands assets held in this country. In view of the fact that the total budgeted expenditure of the Netherlands Government for 1943 -- including military and naval expenditures -- is only \$65 million, it is obvious that the resources available to the Netherlands Government are very large without additional borrowing and without touching privately held funds in this country of Netherlands nationals.

- 2 -

The Netherlands Government can acquire any needed part of the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire in return for national currency. We are cognizant of the reluctance of the Netherlands Government to use the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire. However, we call attention to the fact that other United Nations have acquired and used the gold and foreign exchange reserves of their central banks.

2. Even if it were apparent that the Netherlands Government will need financial aid in the immediate postwar period it seems to us undesirable to make a commitment with respect to such loans at this time. The loan made to the British Government by the R.F.C. was for the purpose of meeting war expenditures.

The commitment requested by the Netherlands is for postwar purchases. Such a commitment would establish an undesirable precedent and would be likely to call forth similar requests for large sums on the part of other United Nations. It would be extremely difficult to deny such governments, lacking the resources of the Netherlands Government, loans to enable them to make postwar purchases. For the United States to begin now a large scale program of loans or commitments for loans for the postwar period would represent a departure from our present policy which is likely to meet with serious public criticism. You would probably want to present the question to Congress before making any commitments on postwar loans.

This Government will be in a much better position to make a satisfactory decision as to the volume and distribution of foreign loans when we have a clearer idea as to the world's needs for American products and of our ability to produce for export in the immediate postwar period. Pending the development of an over-all program on postwar credits for reconstruction and development, it would seem inappropriate for this Government to embark upon a policy of making loans to foreign governments for postwar purposes.

3. If the need for dollar credits by the Netherlands Government should become manifest in the postwar period, such a loan should be secured directly from American investors rather than from this Government. The credit position of the Netherlands Government is so strong that there can be little doubt of its ability to secure a loan from private investors on reasonable terms after the war. The investing community in this country would be likely to resent a policy under which this Government would compete with private investors in making loans to countries whose high credit standing assures them access to our capital markets on favorable terms.

(Signed) Henry Morgenthau, Jr.



THE SECRETARY OF COMMERCE  
WASHINGTON

August 24, 1943

Dear Henry:

With further reference to the Netherlands' application for a loan, I beg to enclose a memorandum which I have prepared on the subject, which seems to me to be much preferable to a negative answer or a deferment.

Sincerely,



Secretary of Commerce

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



THE SECRETARY OF COMMERCE  
WASHINGTON

August 24, 1943

MEMORANDUM RE NETHERLANDS LOAN APPLICATION:

When Mr. Van den Broek, Minister of Finance of the Netherlands, first spoke to me about a loan for post-war reconstruction, he stated that his Government wanted to be in a position to place orders for some raw materials and equipment so that when the war is over, and materials can be made available, they would be in a position to proceed with their reconstruction problems without delay.

He stated that they wanted a loan of \$300,000,000, payable in installments over a period of 15 years, and at a satisfactory rate of interest — say 3%; that investments in our own country, acceptable to us, would be pledged as collateral; that it was to be a strictly business transaction; and that, pending such time as title to the securities is determined to our entire satisfaction, their gold in this country could be pledged. He stated that they would need particularly railroad materials and equipment, motive power, etc.

I gave Mr. Van den Broek a copy of our loan agreement with the British under which we loaned them \$425,000,000. He would like a loan for the Netherlands on approximately the same basis and terms.

I appreciate that our own resources will be heavily drawn upon in the further prosecution of the war, and that means and methods of financing post-war reconstruction in the war-torn countries cannot now be definitely determined. However, the more of us that are ready immediately to get at the job when the war is over, the better.

FACTORY  
BUY  
UNITED  
STATES  
WAR  
DEPARTMENT  
OFFICE

The Dutch will have not only their homeland to rebuild, but their territorial possessions that are also occupied by the Axis.

I think we can admit that the best way to help people and governments, is to help them to help themselves. If we can help the Netherlands to do their job, they can — and I am sure will — help others that might properly or customarily look to them.

My thought as to what we might say to Mr. Van den Broek at this time is that, assuming we will be in a position to make his country a loan, and that no general plan by all governments to finance reconstruction is adopted from which the Netherlands would get the credit needed, we would make them a loan on acceptable U.S. investments. A condition of the loan would be that we have the right to require that all or any part of the proceeds of our loan shall be expended in our own country, and generally in cooperation with us in post-war reconstruction.

While such a commitment would be clearly a conditional one, it would say to them that we will make them a loan if we are in a position to do so, other demands upon our Treasury considered, provided other sources of credit are not available to them.

I would expect the loan to be set up on a basis which, at our option, could be passed along to private investors — generally along the lines that the RFC has made and sold loans throughout our own depression-recovery period, when credit was not otherwise available on fair terms.

I have discussed the matter at length with Finance Minister Van den Broek, and he recognizes the necessity for our making the commitment conditioned upon future circumstances that may be beyond our control.

He also feels very strongly that because of the cordial relationship existing between our two peoples and the fact that the Dutch have long been substantial investors in our country, we would want to be every possible assistance to them in their reconstruction work. There is of course, no question about that.

Incidentally, our steel mills and other manufacturers will need a great many of the orders they can get if we are to provide employment for our returning soldiers and others now engaged in war work. To the extent that this can be done through sound loans such as this, the easier it will be on our own Treasury.

A condition of the commitment should be that orders placed by the Dutch would not conflict with our war production or with our post-war plans, and that before placing any orders the appropriate authority of our Government would be consulted by them.



*Jessy refused to  
send this*

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

*File 8/31/43*



Dear Jesse,

I am enclosing herewith a memorandum for the President, which we have drafted, embodying what we think are your ideas and our ideas on the subject. Before forwarding it to him I would like to have your approval of it and the approval of Secretary Hull so that I can inform the President that this is the combined opinion of State, Treasury and R.F.C. You will note that the final recommendations to the President closely follow your suggested approach.

If you approve of the memorandum, I should like to send it to Secretary Hull for his approval along with a copy of your memorandum of August 24th.

Sincerely yours,

The Honorable Jesse Jones,  
Secretary of Commerce,  
Washington, D. C.



*not used -*THE SECRETARY OF THE TREASURY  
WASHINGTON

## MEMORANDUM FOR THE PRESIDENT

The Netherlands Government has made a request that this Government commit itself to a loan of \$300 million to be obtained from the R.F.C. and to be secured by the pledge of privately owned securities in this country belonging to nationals in the Netherlands. It is our understanding that this loan has been requested by the Netherlands Government for the purpose of financing post-war purchases and not for meeting its war expenditures which are amply provided for under Lend-Lease arrangements.

We have given careful consideration to the request of the Netherlands Government and feel that the grant of such a loan at this time would be unwise.

Inasmuch, however, as we are eager to help the Dutch Government in any way we appropriately can, and since we want to be of assistance to them in meeting their reconstruction problems, we suggest that the Dutch Minister of Finance now in this country awaiting a reply to his request, be informed that we are prepared to make them a loan on acceptable collateral on the following conditions:

- (a) that the loan not be made before it becomes necessary for the Netherlands to have the funds;
- (b) that we have the right to require that all or any part of the proceeds of the loan shall be expended in our own country, and generally in cooperation with us in post-war reconstruction;
- (c) that the loan would be set up on the basis which, at our option, would be passed along to private investors, and
- (d) that no general plan by all governments to finance reconstruction is adopted from which the Netherlands would get the credit needed.



- 2 -

Secretary Jones has mentioned these conditions to Van den Broek, the Minister of Finance, and Mr. Van den Broek is agreeable to having the loan promised to him under the above indicated conditions.

The reasons why we feel that it would be unwise at this time to grant the Dutch Government's request for a \$300,000,000 loan are as follows:

1. The financial resources of the Netherlands Government are substantial and entirely adequate to meet the contemplated payments on postwar orders they may wish to place. According to its own memorandum, the Netherlands already holds in the names of the Government and the Central Banks large resources in the form of gold, dollar balances and foreign exchange, amounting in all to more than \$1,050 million of which more than \$900 million is in the form of gold and dollars. This is in addition to the privately owned Netherlands assets held in this country. In view of the fact that the total budgeted expenditure of the Netherlands Government for 1943 -- including military and naval expenditures -- is only \$65 million, it is obvious that the resources available to the Netherlands Government are very large without additional borrowing and without touching privately held funds in this country of Netherlands nationals.

The Netherlands Government can acquire any needed part of the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire in return for national currency. We are cognizant of the reluctance of the Netherlands Government to use the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire. However, we call attention to the fact that other United Nations have acquired and used the gold and foreign exchange reserves of their central banks.

2. Even if it were apparent that the Netherlands Government will need financial aid in the immediate postwar period it seems to us undesirable to make a commitment with respect to such loans at this time. The loan made to the British Government by the R.F.C. was for the purpose of meeting war expenditures. The loan requested by the Netherlands is for postwar purchases. Such a loan would establish an undesirable precedent and would be likely to call forth similar requests for large sums on the part of other United Nations. It would be extremely difficult to deny such governments, lacking the resources of the Netherlands Government, loans to enable them to make postwar

- 3 -

purchases. For the United States to embark now on any large scale program of loans or commitments for loans for the postwar period would represent a departure from our present policy which is likely to meet with serious public criticism.

We will be in a much better position to make a satisfactory decision as to the volume and distribution of foreign loans when we have a clearer idea as to the world's needs for American products and of our ability to produce for export in the immediate postwar period. Pending the development of an over-all program on postwar credits for reconstruction and development, it would seem inappropriate for this Government to embark upon a policy of making loans to foreign governments for postwar purposes.

3. If the need for dollar credits by the Netherlands Government should become manifest in the postwar period, such a loan should be secured directly from American investors rather than from this Government. The credit position of the Netherlands Government is so strong that there can be little doubt of its ability to secure a loan from private investors on reasonable terms after the war. The investing community in this country would be likely to resent a policy under which this Government would compete with private investors in making loans to countries whose high credit standing assures them access to our capital markets on favorable terms.

August 25, 1943:

Original returned to Mrs. McHugh  
Copies to: Mr. DuBois, Mr. Peile

COPY

August 24, 1943

Dear Henry:

With further reference to the Netherlands' application for a loan, I beg to enclose a memorandum which I have prepared on the subject, which seems to me to be much preferable to a negative answer or a deferment.

Sincerely,

/s/ Jesse  
Secretary of Commerce

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

August 24, 1943

MEMORANDUM RE NETHERLANDS LOAN APPLICATION:

When Mr. Van den Broek, Minister of Finance of the Netherlands, first spoke to me about a loan for post-war reconstruction, he stated that his Government wanted to be in a position to place orders for some raw materials and equipment so that when the war is over, and materials can be made available, they would be in a position to proceed with their reconstruction problems without delay.

He stated that they wanted a loan of \$300,000,000, payable in installments over a period of 15 years, and at a satisfactory rate of interest — say 3%; that investments in our own country, acceptable to us, would be pledged as collateral; that it was to be a strictly business transaction; and that, pending such time as title to the securities is determined to our entire satisfaction, their gold in this country could be pledged. He stated that they would need particularly railroad materials and equipment, motive power, etc.

I gave Mr. Van den Broek a copy of our loan agreement with the British under which we loaned them \$425,000,000. He would like a loan for the Netherlands on approximately the same basis and terms.

I appreciate that our own resources will be heavily drawn upon in the further prosecution of the war, and that means and methods of financing post-war reconstruction in the war-torn countries cannot now be definitely determined. However, the more of us that are ready immediately to get at the job when the war is over, the better.

- 2 -

The Dutch will have not only their homeland to rebuild, but their territorial possessions that are also occupied by the Axis.

I think we can admit that the best way to help people and governments, is to help them to help themselves. If we can help the Netherlands to do their job, they can — and I am sure will — help others that might properly or customarily look to them.

My thought as to what we might say to Mr. Van den Broek at this time is that, assuming we will be in a position to make his country a loan, and that no general plan by all governments to finance reconstruction is adopted from which the Netherlands would get the credit needed, we would make them a loan on acceptable U. S. investments. A condition of the loan would be that we have the right to require that all or any part of the proceeds of our loan shall be expended in our own country, and generally in cooperation with us in post-war reconstruction.

While such a commitment would be clearly a conditional one, it would say to them that we will make them a loan if we are in a position to do so, other demands upon our Treasury considered, provided other sources of credit are not available to them.

I would expect the loan to be set up on a basis which, at our option, could be passed along to private investors — generally along the lines that the RFC has made and sold loans throughout our own depression-recovery period, when credit was not otherwise available on fair terms.

I have discussed the matter at length with Finance Minister Van den Broek, and he recognizes the necessity for our making the commitment

- 3 -

conditioned upon future circumstances that may be beyond our control.

He also feels very strongly that because of the cordial relationships long existing between our two peoples and the fact that the Dutch have long been substantial investors in our country, we would want to be of every possible assistance to them in their reconstruction work. There is, of course, no question about that.

Incidentally, our steel mills and other manufacturers will need all of the orders they can get if we are to provide employment for our returning soldiers and others now engaged in war work. To the extent that this can be done through sound loans such as this, the easier it will be on our own Treasury.

A condition of the commitment should be that orders placed by the Dutch would not conflict with our war production or with our post-war plans, and that before placing any orders the appropriate authority of our Government would be consulted by them.

/s/ Jesse H. Jones



THE SECRETARY OF THE TREASURY  
WASHINGTON

*not sent*

Dear Cordell,

During your absence last week I spoke to Sumner Welles with respect to the request of the Dutch Government for a loan of \$300 million for post war purposes from the R.F.C. on somewhat the same terms as the loan made to the British Government in 1941 to help meet its war expenditures. I told Sumner that the President had spoken to me about the loan and asked me to look into it. As I indicated to Sumner, we in the Treasury are opposed to the granting of such a loan for reasons indicated in the memorandum and he stated that he was in agreement with our position.

Inasmuch as the Dutch Finance Minister has apparently taken up the matter with the President, I should like to submit the appended memorandum to the President as representing the views of the State Department and the Treasury. If you agree with the memorandum I would appreciate it if you would initial it and then we could forward it to the President.

Sincerely,

Honorable Cordell Hull,  
Secretary of State.

Enclosure.



*not used -*THE SECRETARY OF THE TREASURY  
WASHINGTON

## MEMORANDUM FOR THE PRESIDENT

The Netherlands Government has made a request that this Government commit itself to a loan of \$300 million to be obtained from the R.F.C. and to be secured by the pledge of privately owned securities in this country belonging to nationals in the Netherlands. It is our understanding that this loan has been requested by the Netherlands Government for the purpose of financing postwar purchases and not for meeting its war expenditures which are amply provided for under Lend-Lease arrangements.

We have given careful consideration to the request of the Netherlands Government and feel that such a loan would be unwise for the following reasons:

1. The financial resources of the Netherlands Government are substantial and entirely adequate to meet the contemplated payments on postwar orders they may wish to place. According to its own memorandum, the Netherlands already holds in the names of the Government and the Central Banks large resources in the form of gold, dollar balances and foreign exchange, amounting in all to more than \$1,050 million of which more than \$900 million is in the form of gold and dollars. This is in addition to the privately owned Netherlands assets held in this country. In view of the fact that the total budgeted expenditure of the Netherlands Government for 1943 -- including military and naval expenditures -- is only \$65 million, it is obvious that the resources available to the Netherlands Government are very large without additional borrowing and without touching privately held funds in this country of Netherlands nationals.

The Netherlands Government can acquire any needed part of the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire



- 2 -

in return for national currency. We are cognizant of the reluctance of the Netherlands Government to use the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire. However, we call attention to the fact that other United Nations have acquired and used the gold and foreign exchange reserves of their central banks.

2. Even if it were apparent that the Netherlands Government will need financial aid in the immediate postwar period it seems to us undesirable to make a commitment with respect to such loans at this time. The loan made to the British Government by the R.F.C. was for the purpose of meeting war expenditures. The loan requested by the Netherlands is for postwar purchases. Such a loan would establish an undesirable precedent and would be likely to call forth similar requests for large sums on the part of other United Nations. It would be extremely difficult to deny such governments, lacking the resources of the Netherlands Government, loans to enable them to make postwar purchases. For the United States to embark now on any large scale program of loans or commitments for loans for the postwar period would represent a departure from our present policy which is likely to meet with serious public criticism.

We will be in a much better position to make a satisfactory decision as to the volume and distribution of foreign loans when we have a clearer idea as to the world's needs for American products and of our ability to produce for export in the immediate postwar period. Pending the development of an over-all program on postwar credits for reconstruction and development, it would seem inappropriate for this Government to embark upon a policy of making loans to foreign governments for postwar purposes.

3. If the need for dollar credits by the Netherlands Government should become manifest in the postwar period, such a loan should be secured directly from American investors rather than from this Government. The credit position of the Netherlands Government is so strong that there can be little doubt of its ability to secure a loan from private investors on reasonable terms after the war. The investing community in this country would be likely to resent a policy under which this Government would compete with private investors in making loans to countries whose high credit standing assures them access to our capital markets on favorable terms.

## MEMORANDUM FOR THE PRESIDENT

The Netherlands Government has made a request that this Government commit itself to a loan of \$300 million to be obtained from the R.F.C. and to be secured by the pledge of privately owned securities in this country belonging to nationals in the Netherlands. It is our understanding that this loan has been requested by the Netherlands Government for the purpose of financing postwar purchases and not for meeting its war expenditures which are amply provided for under Lend-Lease arrangements.

We have given careful consideration to the request of the Netherlands Government and feel that such a loan would be unwise for the following reasons:

1. The financial resources of the Netherlands Government are substantial and entirely adequate to meet the contemplated payments on postwar orders they may wish to place. According to its own memorandum, the Netherlands already holds in the names of the Government and the Central Banks large resources in the form of gold, dollar balances and foreign exchange, amounting in all to more than \$1,050 million of which more than \$900 million is in the form of gold and dollars. This is in addition to the privately owned Netherlands assets held in this country. In view of the fact that the total budgeted expenditure of the Netherlands Government for 1945 -- including military and naval expenditures -- is only \$65 million, it is obvious that the resources available to the Netherlands Government are very large without additional borrowing and without touching privately held funds in this country of Netherlands nationals.

The Netherlands Government can acquire any needed part of the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire

- 2 -

in return for national currency. We are cognizant of the reluctance of the Netherlands Government to use the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire. However, we call attention to the fact that other United Nations have acquired and used the gold and foreign exchange reserves of their central banks.

2. Even if it were apparent that the Netherlands Government will need financial aid in the immediate postwar period it seems to us undesirable to make a commitment with respect to such loans at this time. The loan made to the British Government by the R.F.C. was for the purpose of meeting war expenditures. The loan requested by the Netherlands is for postwar purchases. Such a loan would establish an undesirable precedent and would be likely to call forth similar requests for large sums on the part of other United Nations. It would be extremely difficult to deny such governments, lacking the resources of the Netherlands Government, loans to enable them to make postwar purchases. For the United States to embark now on any large scale program of loans or commitments for loans for the postwar period would represent a departure from our present policy which is likely to meet with serious public criticism.

We will be in a much better position to make a satisfactory decision as to the volume and distribution of foreign loans when we have a clearer idea as to the world's needs for American products and of our ability to produce for export in the immediate postwar period. Pending the development of an over-all program on postwar credits for reconstruction and development, it would seem inappropriate for this Government to embark upon a policy of making loans to foreign governments for postwar purposes.

3. If the need for dollar credits by the Netherlands Government should become manifest in the postwar period, such a loan should be secured directly from American investors rather than from this Government. The credit position of the Netherlands Government is so strong that there can be little doubt of its ability to secure a loan from private investors on reasonable terms after the war. The investing community in this country would be likely to resent a policy under which this Government would compete with private investors in making loans to countries whose high credit standing assures them access to our capital markets on favorable terms.

EMB:OAS:lr 8/18/45

c  
o  
p  
y

THE WHITE HOUSE  
Washington

August 16, 1943

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY:

FOR YOUR INFORMATION AND PLEASE  
RETURN FOR MY FILES.

F.D.R.

## THE SECRETARY OF COMMERCE

Washington

August 10, 1943

Dear Mr. President:

You will recall that I mentioned to you some time ago that the Dutch Government wanted to arrange for a loan of \$300,000,000, to be used in reconstruction of their country after the war.

When Mr. Van den Broek was in to see me I gave him a copy of our loan agreement under which we loaned the British Government \$425,000,000. Mr Van den Broek later submitted a list of collateral and would like to arrange for the loan on the same general terms under which we made the British loan, the security to be United States investments entirely acceptable to us. The RFC would make the loan at 3% interest, the money to be drawn after the war.

I am writing this letter because Mr. Van den Broek advised me he expected to discuss the matter with you tomorrow morning.

Sincerely yours,

/s/ Jesse Jones

Secretary of Commerce

The President  
The White House

August 31, 1943  
3:05 p.m.

TRANSAMERICA CORPORATION

Present: Mr. Bell  
Mr. Paul  
Mr. Delano  
Mr. Upham  
Mr. Tietjens

H.M.JR: Will somebody state the case?

MR. BELL: I can give you part of it. On July 26, 1943, Ganson Purcell, Chairman of the SEC, wrote you a letter.

H.M.JR: When, in January?

MR. BELL: July.

He said, "Request is hereby made for certified copies of all the reports of earnings and dividends of the Bank of America for the years 1932 to 1937 inclusive. These reports are requested in connection with an official proceeding now pending before this Commission against the Transamerica Corporation. It is anticipated that these reports, if and when made available, will be introduced in evidence in such hearing as and when the hearing is ordered reconvened by the Commission. Sincerely yours."

MR. PAUL: What is the date of that letter?

MR. BELL: July 26, 1943.

MR. PAUL: That followed a conference with two people from the SEC, one of whom was Treanor, who has been in charge of this case before the SEC. They came to see me about it, and I asked them to put their request in writing, following that conference. That was the session at which they gave their reasons for wanting the complete use of the data which they already have.

- 2 -

MR. BELL: Now, there is some background to it where they asked you for these statements once before, earlier in the game - not these particular statements, but similar statements - and which you gave to them. Subsequently there was--

H.M.JR: And I can tell you what the Judge said at that time. He said that these inter-departmental things are like the cell of the same brain and there is no partition between them. Isn't that what the Judge said at that time?

MR. TIETJENS: That is what Judge O'Donoghue said in the lower court.

H.M.JR: I am just trying to refresh my memory.

MR. TIETJENS: He was a little bit modified by Judge Groner in the Court of Appeals.

H.M.JR: What did he say?

MR. TIETJENS: He said, "It is all right what the Secretary of the Treasury did insofar as the SEC - it is perfectly all right. But what the SEC has attempted to do with these reports we have some doubt about."

H.M.JR: But he didn't criticize me?

MR. TIETJENS: He didn't criticize you one bit.

H.M.JR: He upheld me.

MR. TIETJENS: Yes, sir.

H.M.JR: Any question?

MR. PAUL: I don't think there is any legal question.

H.M.JR: I am just - let me be a little reminiscent. (Laughter) I just like to reminisce. This is one of my pet cases.

- 3 -

MR. BELL: Then subsequently they asked for other reports, I think it was. I sent them over and told them they were sent to them as confidential material in view of this court decision.

Now they are back and want permission to not only get these reports, additional reports, but to introduce them into evidence.

Now, Paul says they ought to have them. Mr. Delano doesn't think they should have them, and they both have reasons for it. I think Mr. Delano might state his reasons; he has a short memorandum.

MR. DELANO: Shall I read it, Mr. Secretary, or shall I just talk?

H.M.JR: No, I would like to hear it. Are you going to leave it with me?

MR. DELANO: Yes. We also have a more argumentative memorandum which I won't read unless you want me to.

H.M.JR: Good.

(Memorandum to the Secretary dated August 31, 1943, read by Mr. Delano, copy attached.)

H.M.JR: What is the Douglas case?

MR. DELANO: That is the one we are talking about. By "test of legality," we mean they can get them by subpoena unless they are stopped by the court. We think it would be all right for them to submit to this test to find out if it is legal for them to use them.

MR. BELL: You see, through this process they won't even submit to a court test. They will introduce them through their own hearing, and they become public through that process.

MR. DELANO: There would be a direct use before they found out if they had a legal right to use them.

- 4 -

H.M.JR: I get the points that you make. Now, I would like to hear--

MR. BELL: Do you have yours, Randolph?

H.M.JR: I would like to hear what Mr. Paul has to say.

MR. PAUL: I have a shorter one for you. (Memorandum dated August 31 handed to the Secretary, copy attached.)

H.M.JR: This is August 21 (Indicating memorandum dated August 21, from Mr. Paul to Mr. Bell, copy attached). Mine is August 31.

MR. PAUL: The later one is merely a resume of the earlier one which I thought you would find more convenient.

Norman, supposing you talk on this thing.

MR. TIETJENS: When I first came over and got into this, you, Mr. Secretary, sent a letter to Bill Douglas saying, "Here are twenty reports of examinations of this bank plus some other things from the Comptroller's files. You can go ahead and make whatever public official use you desire to make of those reports and the information in them in connection with the allegations we are going to make against Transamerica."

So the SEC took that information and did what it thought was right with it. Now, the court stepped on it in one phase of that proceeding; that is, the SEC published its charges against Transamerica in the official Federal Register. The Court said, "That is a pre-trial publication, and I don't like it" - Judge Groner.

H.M.JR: Pre-trial?

MR. TIETJENS: Before the hearing - pre-judging of the case. "There isn't any explanation that the bank can make at this point. You have already published it; that is bad." But it did say that what you did in furnishing that material to the SEC was perfectly all right, as you know.

- 5 -

H.M.JR: I didn't know about the superior court; I new about the lower court.

MR. TIETJENS: The Court of Appeals.

H.M.JR: How long ago is this Court of Appeals--

MR. TIETJENS: 1941.

H.M.JR: I wasn't familiar with that. The thing sort of died here at my desk.

MR. TIETJENS: At the time of the Court of Appeals hearing, the Bank and the SEC were sort of getting together. They didn't want to fight here. The Bank wanted to have the hearing transferred out to the coast.

H.M.JR: I have been trying to find out for a week who sent that letter to the Bank. It never was initialed by me.

MR. BELL: Wasn't it? I heard it was.

H.M.JR: I can't find that it was.

MR. BELL: I thought maybe - I had initialed some of these telegrams that went out congratulating some of these people, and I thought I might have done that one carelessly. Somebody told me no, that you saw it personally.

H.M.JR: I can't find the record. I got a copy of the telegram, but not my initials.

MR. TIETJENS: One of the points the Bank was making in the Douglas case was it would be an intolerable burden to carry all their files from the west coast here. They

- 6 -

wanted it transferred out there. The SEC and the Bank got together and that was worked out.

At the same time the SEC was led to believe that they were going to get all this information from the Bank without a further hearing. They told the court, "We are not going to introduce these earnings and dividends statements into evidence. You don't have to pass on them."

So the court didn't pass on them. They did say that they could use the material they got from the Treasury in the investigation and in the hearing.

MR. BELL: Who said that?

MR. TIETJENS: The court, in carrying out its investigatory function. That is the only way to make findings and to make them public.

So after the court came in with its decision and said what you had done was all right but that the SEC had better be careful in making any pre-trial publication, they adjourned the hearing and took it out to the west coast.

The Bank and the SEC sat down to try to work out a stipulation as to what the Bank would furnish the SEC. That has been going on ever since.

The SEC has finally said, "We have come to the end of the rope. The Bank won't cooperate; they will not furnish these earnings and dividends statements. They say if we want them we will have to go to the United States Supreme Court first. So we are coming back to the Treasury now and ask the Treasury to lift a restriction which the Treasury put on the use of the earnings and dividends statement in Mr. Bell's letter of January 14, 1942." So that is what is at issue right now.

H.M.RJ: Did Bell get out a letter?

MR. BELL: In sending the SEC statements I put that restriction on them, that these were for their confidential use. We did that in view of the court decision.

- 7 -

MR. PAUL: I don't think you needed to. It was a wise act of caution at that time.

MR. TIETJENS: The SEC has changed its mind. At one time they didn't think they needed to use our statements in evidence. Now they think they do. Otherwise, it will have to go into court out there and fight the matter.

MR. PAUL: Let's have the reasons; that is this history.

MR. TIETJENS: "Not to permit the use of the earnings reports in evidence would be inconsistent with the position first taken by the Treasury in the proceeding. It is my understanding that at the outset of the Transamerica hearing the Treasury promised full cooperation to the SEC. This is evidenced by your letter"--

H.M.JR: Let me interrupt you. Let me see if I have this thing straight. I go along and give certain evidence to the SEC and don't mark it confidential. They go ahead and use it in a way which first the lower court says is all right; then the superior court criticizes them for doing it.

Now, after the superior court has done it, you people - my General Counsel's office - are recommending that I do exactly the same thing over again and let them do exactly the same thing for which they were criticized.

MR. PAUL: It is entirely different.

H.M.JR: Where is it different?

MR. TIETJENS: They want to use them this time as evidence at their hearing. This isn't a pre-trial publication.

H.M.JR: The only difference is this? This time they are going to use it at the trial and not publish it before.

MR. TIETJENS: That is right.

- 8 -

H.M.JR: That doesn't seem to me to be a very--

MR. TIETJENS: They introduce it in evidence. Of course their record is open to the papers.

MR. BELL: This publication--

MR. TIETJENS: It makes it available for publication.

MR. BELL: I don't think that is a very good statement.

MR. PAUL: The court, though, went on the other pre-trial--

MR. BELL: It is publication, isn't it?

H.M.JR: May I interrupt just a minute? What is this Judge's name who--

MR. PAUL: Groner.

H.M.JR: How do you spell it?

MR. PAUL: G-r-o-n-e-r.

H.M.JR: Where is he located?

MR. PAUL: Washington.

H.M.JR: Would it be ethical and proper for me to seek out Judge Groner and tell him of this thing? In view of the thing I would like to ask his advice - tell him that they are going to use this in evidence - just give him the facts.

Now, wait a minute, you side against it even before you have had a chance to think about it. What is the matter with my going to Judge Groner?

MR. TIETJENS: He wouldn't even listen to a lawyer on that who was engaged in the proceedings. I don't think he would listen to you unless the issue were before him.

- 9 -

H.M.JR: I don't know that you are right.

MR. PAUL: I think it would be improper, because the case might come before him later, and he wouldn't want to involve himself. Some proceeding - some injunction proceeding may be brought in the District, and if Groner lives long enough, it may come up before him.

H.M.JR: Let me ask a question. After all, I am a member of the Government. I am not a plaintiff; I am not a defendant. Here I am, a member of the Government who cannot, incidentally, be sued. And I say, "Lock, Judge, I would like to call on you at your home and ask your advice." Am I doing the same thing over again, or is this something different?

Now, all he can say is, "Mr. Morgenthau, I would rather not do it." That is all he can do. It seems to me that I have heard - all he can say is, "I will not do it," or, "I will be very glad to sit down and talk to you about it."

I am not an attorney, but it seems to me just from listening to you people - after all, this is an interpretation of the law by a Judge of the superior court; and whether the thing was pre-published or published at the trial, the thing that I would think as a layman is the thing he objected to is the fact he made it public property.

MR. DELANO: That is right.

MR. TIETJENS: He said, "If business secrets in the course of a hearing or investigation are made public, then that becomes public only incidentally to the SEC carrying out its official functions."

H.M.JR: I don't get that.

MR. TIETJENS: The SEC can't carry out its functions unless it can get this stuff in evidence in some way if it is material.

H.M.JR: Let me preface my remarks. I would like to do this thing, see, but the decision and the responsibility

- 10 -

has got to be mine. I mean, this is something I would like to do, but after all, when you boil this thing right down they have tried since '41 to get this information through legal procedure.

MR. PAUL: No.

MR. BELL: No.

MR. TIETJENS: Through dickering with the bank across the table.

MR. PAUL: Through trying to agree with the bank.

H.M.JR: Then that weakens their case. Then they have not tried to do it through legal procedure.

MR. DELANO: That is right.

MR. UPHAM: They did in the Douglas case.

MR. TIETJENS: No.

MR. BELL: They haven't subpoenaed.

H.M.JR: In the Douglas case we gave them what they wanted.

MR. UPHAM: The Douglas case was an injunction against the use of these documents.

H.M.JR: But I had already given it to them.

MR. UPHAM: Against their use.

H.M.JR: All I am interested in as Secretary of the Treasury is, is it called upon me in the interest - to further the public interest, am I called on to do the thing?

Now, I transmit this thing to them in the matter of public interest. I don't think I should pass unnecessarily

- 11 -

on what disposition they make of them after they receive them. That is their responsibility.

You ask me to lend you some money, and the legal rate is six percent. I decide I want to lend you the money, and I do it at the legal rate in a perfectly proper manner. The money is mine. Then you proceed to use that money in an illegal way. That doesn't make me guilty.

MR. TIETJENS: I agree.

H.M.JR: You can take that money and hire somebody to kill somebody, but that doesn't make me an accessory before the crime.

MR. UPHAM: If I know in advance you are going to do it, it does.

H.M.JR: That you are going to use the money to hire somebody to kill somebody?

MR. UPHAM: It is pretty close to it, anyway.

H.M.JR: Well, in the eyes of the court on this Bioff case, we know that Bioff got a hundred-thousand-dollar bribe, and we know who gave it to him, and there is nothing we can do about the man who gave it to him. The person who does the bribing is not responsible. The person who receives it, if he doesn't report it in his income tax, is. That may not be very good, but--

MR. UPHAM: But you are not accused of bribery because nothing can be done to you.

H.M.JR: What I am groping for - my inclination is to do the thing.

Now, is it in the public interest to do the thing? Can I do this thing legally? Now, whether they do the thing illegally or not - after all, introducing the thing into evidence - I don't see how that could be necessarily illegal.

- 12 -

MR. PAUL: Anyway, that is something for SEC to decide and defend.

H.M.JR: That is the way I feel.

MR. PAUL: I think we are confusing the issue here. There are two issues. One is the legal issue; and on the legal issue - you could discuss it a long time - there doesn't seem to be any - no court has passed on the question. The court has passed on a totally different question, and we think from a legal standpoint we are perfectly in the clear, but let's put that aside, because we also have the important policy question. The important policy question is, is it in the public interest, as you phrased it, that this information be furnished without restrictions to the SEC? I think it decidedly is. It is decidedly in the public interest because they are conducting a very important case, a case involving fraudulent statements by this bank.

They want to introduce these earnings records as admission against interest into their own hearing. The only thing we say is, "Well, that will embarrass us with the banks. That will make the banks feel in some vague way less willing to furnish us information."

Well, that vague consideration doesn't seem to me to stand up against the situation that we have promised the SEC full cooperation; there is no legal reason why we should do it. There is every legal reason why this--

H.M.JR: You don't mean that, you made a mistake.

MR. PAUL: There is no legal reason why we should not do it, pardon me. And it seems to me it is definitely in the public interest that all the facts come out in proceedings of this kind, and all this concern is trying to do is keep the facts, as long as they can, from coming to light. I haven't any sympathy at all with that attitude.

- 13 -

H.M.JR: Of course the SEC - they fooled around for almost two years.

MR. PAUL: They fooled around with it trying to settle, thinking they could get a stipulation. I think that is probably wrong.

Now, the only way they can do - if we don't give them this information, the only thing they can do is bring a proceeding in court, subpoenaing this information. That will go to the Supreme Court, be decided by the Supreme Court three or four years from now, and I don't see why we should do anything unless there is a compelling reason by statute sanctioning delaying proceedings in that way.

H.M.JR: The SEC delayed this for a couple of years by sitting around trying to get a stipulation. They could have gone right ahead and pressed for this thing through the courts. If they had done it two years ago, they might be there now.

MR. PAUL: The SEC has told us it acquiesced in Dan's letter of January 14, 1942 because it thought that it could get these records from the bank itself.

MR. UPHAM: May I ask Mr. Paul who told him that in the SEC, because I went and talked to Ed Eicher, the Chairman, and Chester Lane, the General Counsel, and they told me they wouldn't think of asking the Treasury to give them these documents for this purpose in view of the Douglas case.

MR. PAUL: The SEC--

H.M.JR: Who told you that?

MR. UPHAM: Ed Eicher and Chester Lane.

MR. PAUL: I talked with both Purcell and--

MR. UPHAM: They were Chairman and General Counsel at the time.

- 14 -

MR. BELL: If this case were in a court rather than before a Government Commission, they couldn't get this into evidence, could they?

MR. PAUL: Of course they could.

MR. BELL: The bank would object to it, and--

MR. PAUL: They wouldn't have a chance to keep it out of evidence in a court. It is definite admission against interest. The court wouldn't hesitate a minute if it were a court as distinguished from an administrative proceeding.

MR. BELL: Wouldn't the court have to make a ruling on it?

MR. PAUL: The court would say it is relevant because it is a case against interest - objection overruled. I think Mr. Delano has the problem of the effect on the banking fraternity.

MR. BELL: I think that is the big problem.

MR. DELANO: I admit that we are very loath to have anything that interferes with the respect and confidence of the banking fraternity in this matter. One thing that I am concerned about is that I think - I certainly don't quarrel with the General Counsel - his interpretation of law - but a layman reading that early decision - all the bankers know all about it; it has been publicized to them - would get the same impression that we as laymen are getting that this stuff should not be made public in any way until it has stood the test of a court.

The only thing involved here, in my judgment, is the fact that if they go about this thing legally by proper subpoena, they will have to submit to the court test before they can use it. If they get it from us they will throw it in before the court test and have the court view that action later on.

MR. BELL: Without the knowledge of the bank.

MR. PAUL: Without prior knowledge - notice.

- 15 -

MR. TIETJENS: The bank will have plenty of notice.

H.M.JR: Let me put it this way: Supposing we gave them ninety days' notice we were going to do this.

MR. PAUL: Then we will have an injunction on us.

MR. DELANO: That is exactly it. We don't think we ought to be in the position of doing something that way.

MR. PAUL: The ninety-day notice is in another connection in the statute. It doesn't apply to these.

H.M.JR: How does it apply?

MR. UPHAM: It applies to reports of examinations.

MR. PAUL: It is entirely different and there I think there is a very good reason for that because that is hearsay evidence - a report of examination by another person. There is nobody there to cross-examine him. But this is definitely an admission against interest. Something - this bank has handed in to you those, now the bank doesn't want those earnings statements to be part of the fact in a public trial before the SEC.

MR. DELANO: In this connection I think it should be pointed out that because these earnings and dividends statements may differ from any public earnings and dividend statements put out by the bank it is not necessarily - it doesn't lead to fraud or conclusion of fraud, because there can be different theories of bookkeeping and different ways of interpreting books.

MR. BELL: Just like a corporation has to keep a set of books--

H.M.JR: Well, the fact remains, when I lived with this thing and spent days and days on it, Transamerica was one of the slickest, smoothest, crookedest jobs - do you question that?

- 16 -

MR. DELANO: Not in the slightest.

H.M.JR: And I mean, they bought and sold the Bank of America stock and their own stock, and did all kinds of phoney transactions, and everything else. And the SEC - going back to the New York Stock Exchange today - still permits it being dealt on the New York Stock Exchange.

I said if the New York Stock Exchange had the guts to say, "We want the facts," and they couldn't get the facts, they could have ruled them out from being traded in. I said the New York Stock Exchange would do more to make a reputation for itself. They know the facts, but don't have the nerve to call for the thing and say they will conduct a hearing. Based on that, the stock would not be dealt in. But they didn't have the nerve to do that.

MR. PAUL: This is one of the practical realities of legal procedure. That is what it is. Transamerica is going to try to delay action here. It has kidded the SEC. I think the SEC shouldn't have been kidded along as it has.

H.M.JR: I think they have handled it very badly.

MR. PAUL: At least they have waked up at this late date.

MR. BELL: It is largely their fault they have been kidded along.

H.M.JR: They say they haven't enough to do, but they don't do what they have got.

MR. PAUL: I agree with that criticism that they shouldn't have been kidded, which is what they have had done to them. But now if they want to go ahead, I don't think we ought to put an obstacle in their way, in a case like this, unless we are clearly compelled to do so.

- 17 -

H.M.JR: Here is another trouble. Mario Giannini came in to see me - it must have been a year and a half ago. I think I saw him alone.

MR. DELANO: You sent me a memorandum about it afterward.

H.M.JR: And I talked to him like a Dutch uncle - like most likely he had never been talked to in his life. He didn't bring any attorney with him. It is the first time he ever was in here. From that day to this they ran the Bank of America decently and we have had no trouble. That is the other side of the story.

MR. PAUL: Now, Mr. Delano, there have been some late developments in that field, haven't there - not indecent conduct, but weren't you somewhat disturbed about this acquisition of other banks out there?

MR. DELANO: That has nothing to do with the Bank of America. That is the whole Giannini expansion program.

H.M.JR: The Bank of America itself? For the last year and a half they have quit this high pressure; they gone to work; they are the best seller of War Bonds we have got, and they have quit the monkey business. Nobody was more critical of them than I was. As I told them, Giannini doesn't mean a gawd damned thing to me. You run your bank all right. There are twelve thousand banks in the country that I am interested in just as much as you." I said, "I am not interested in you." I am not.

But here we are - I am going around the lot - but here we are, because SEC, when this thing was hot and Bill Douglas and everybody was over here, they could have rushed this thing through; now, about five years afterwards they come and dump the thing in my lap again because they didn't have guts enough to go through with the thing.

Now Giannini has out-smarted them on trading with them. Here they are back where they were two years ago. What harm can there be, Randolph, of my personally going to see the Judge, just alone?

- 18 -

MR. PAUL: If he were a judge like some judges I know, you could do it on some informal basis, but Groner is a very old man. He hasn't any - all you could get from him would be advice, and I don't think his advice is as good as the advice you will get from Norman Tietjens, because all he can give is one reaction. The case isn't before him. He may be in the position of passing on this case later - some aspect of this case. He wouldn't want to prejudice his position.

MR. TIETJENS: He is not what you would call a sympathetic judge, in any sense of the word, either.

H.M.JR: Let me put it this way: What about a judge in a - how many judges are there in that court?

MR. PAUL: Three - there are three sitting at each appeal. There are more than three in the court but they don't all sit at the same time.

H.M.JR: I mean, where is there a similar court outside of this district?

MR. PAUL: They are most analogous to, say, a court like the Circuit Court of Appeals in New York where Hand and Frank--

H.M.JR: And this is for the District?

MR. PAUL: The analogous court for the D.C., just like the First and Second Circuit.

H.M.JR: I didn't make myself plain. Where could I go before a judge of equal rank where this case wouldn't come up before him, in another district?

MR. BELL: Who is the Court of Appeals in New York for that - one of those New York districts?

MR. TIETJENS: Jerry Frank. (Laughter)

H.M.JR: Don't be silly.

- 19 -

MR. PAUL: Hand is one of the most distinguished judges in America. He would understand the point.

H.M.JR: Supposing I went to Judge Learned Hand.

MR. PAUL: He is a different type of fellow. He would talk to you off the record about it.

H.M.JR: Supposing I said to him - now, it can't come before him, can it?

MR. PAUL: No, not unless he got put on the Supreme Court, or something.

H.M.JR: You say he is a distinguished person?

MR. PAUL: He is one of the most distinguished judges in America.

H.M.JR: What if I asked him to see me to advise me on this thing?

MR. PAUL: That would be quite a different matter if you did it on an informal basis.

H.M.JR: On an informal basis?

MR. PAUL: I don't know what Hand's reaction would be there. He would be quite apt to do it, depending on how well you knew him.

H.M.JR: He knows my father very well. What would you think of that?

MR. DELANO: I would certainly be in favor of it.

H.M.JR: I see your (Delano's) proposition, and I see yours (Paul's). On the other hand, I have got to be the final judge and it is a very difficult decision to make, and particularly where I would like to do it, you see. But the temper of the country is such that I want to be very sure that I am not exceeding my authority.

- 20 -

MR. DELANO: That is our concern, Mr. Secretary.

H.M.JR: That is what I was groping for - somebody like Judge Learned Hand. Could this eventually go before the Supreme Court here?

MR. PAUL: Yes, that is where these people hope to get.

H.M.JR: But it couldn't go - the chances are it couldn't go before Learned Hand?

MR. PAUL: I don't see how it could.

MR. BELL: It would probably be brought in the District against the Comptroller.

MR. TIETJENS: I don't see how the Treasury can get into it at all unless we told the bank beforehand.

MR. UPHAM: It would be California or Wilmington.

MR. PAUL: That would be the Third or Fourth Circuit.

H.M.JR: Now, this is a case which I can say somewhat resembles - would that be a case known as the Douglas case? Is that it?

MR. TIETJENS: Bank of America versus Douglas was the name of the case.

H.M.JR: What judge would it come up before here?

MR. TIETJENS: Judge Groner wrote the decision.

MR. PAUL: There were two other judges sitting.

H.M.JR: I think the thing to do is simply call up and ask him - find out where he is.

MR. PAUL: He is probably away on vacation.

- 21 -

H.M.JR: Do you see any objection to that?

MR. BELL: No, I don't see a bit of objection.

H.M.JR: Anybody see any?

MR. PAUL: I don't. Certainly it is somewhat unconventional, but Mr. Hand is an unconventional person, anyway.

H.M.JR: Do you (Upham) see any objection?

MR. UPHAM: I don't see any objection, Mr. Secretary, but you have to ask him some specific question, and it would be a little difficult for him to--

H.M.JR: I will ask him a specific question.

MR. UPHAM: I would want to know what you are going to ask him.

MR. TIETJENS: Read a copy of the letter from Purcell to him.

MR. UPHAM: That doesn't state the issue, does it?

MR. PAUL: You would have to go into more than that.

MR. UPHAM: The most you will get, of course, is a statement on whether or not it is legal for you to do it.

H.M.JR: No, no, I don't want that. I am going to tell him I don't want that.

MR. UPHAM: You are going to ask for policy - whether you should do it or not?

H.M.JR: Yes - sure.

MR. BELL: I think there is a little question of ethics as to whether the Treasury should give this information to the SEC and allow them through their process to make it public, or should you make them go through the

- 22 -

legal channels and subpoena the records through regular court procedure. It is going to take a long time. Which one should you take?

H.M.JR: Is Jerry a member of that court?

MR. PAUL: Yes.

H.M.JR: He is a member of that court?

MR. PAUL: Yes.

H.M.JR: But Judge Learned Hand is the presiding judge?

MR. PAUL: He is the presiding judge. I don't think you have to have any inference--

MR. UPHAM: Learned will go ask him, won't he?(Laughter)

MR. BELL: I hope not.

H.M.JR: It is an unusual case. Here you have one man, Douglas, on the Supreme Court, and Frank on the Circuit Court of Appeals.

Well, I don't think anybody - certainly any of you gentlemen can take any offense at my seeking advice of somebody like this because this is a matter - you both feel so positive - both sides of the room are so positive - and with me inclining to do it, then I lean over backwards to make sure whether it is entirely proper for me to do it, considering everything.

MR. DELANO: I hope, Mr. Secretary, you don't think that this side of the room is trying to help Transamerica in this thing. That isn't our point. We just simply think there is a question of policy and of ethics involved.

H.M.JR: No, I don't. I have gotten beyond that. I never did worry about that as far as you are concerned.

MR. DELANO: Thanks.

- 23 -

H.M.R: This is a very difficult decision because up to now the Gianninis haven't been able to put their finger on me on a thing. My skirts have been clean, and my conduct of my office, as far as they are concerned - I mean, I haven't been prejudiced. They haven't been able to prove that I was prejudiced. The Lord knows they tried hard enough. They haven't been able to prove it.

(The Secretary held a telephone conversation with Miss Lohrman, Judge Learned Hand's secretary, as follows:)

August 31, 1943<sup>168</sup>  
3:50 p.m.

Operator: Go ahead.

HMJr: Hello.

Miss  
Lohrman: Yes.

HMJr: Miss Lohrman.

L: Yes.

HMJr: This is Henry Morgenthau, Jr.

L: Yes.

HMJr: Can you hear me?

L: Yes, I can. Very faintly, but I can hear you all right.

HMJr: Well, I'll talk a little louder.

L: Fine.

HMJr: Is that better?

L: Yes, that's fine.

HMJr: I'm talking over a leased wire to New York. That's why.

L: I see. All right.

HMJr: Miss Lohrman, you're the Judge's secretary?

L: Yes.

HMJr: Well, what I want to get to the Judge is this - have you got a pencil?

L: I have, right here.

HMJr: Well, I have before me a request from the Security Exchange Commission....

L: Yes.

HMJr: ....for certain information in regard to a bank.

L: To a bank?

HMJr: Yes.

L: Yes.

HMJr: ....which very much follows the case of the Bank of America vs Douglas....

L: Vs Douglas?

HMJr: Yes.

L: Yes.

HMJr: If you want the reference, I have it. It's 105F.(2d)100.

L: 105F What was the next of it?

HMJr: 2nd.

L: Yeah.

HMJr: 100.

L: 100 - 105 2nd 100.

HMJr: Yes.

L: Yeah.

HMJr: Now, this request resembles that case....

L: Yes.

HMJr: ....and I wondered whether Judge Hand would let me come and see him on an informal basis and get his advice.

L: Well, now that can't be done until after the 4th of October, unless you want to go to Vermont.

HMJr: Well, I'd love to go to Vermont.

L: Well, I don't know - you mean you are - seriously would you want to....

HMJr: Oh, yes. This is important enough. I can fly up there if there is an air field anywhere near there.

L: I see. Well, now would you - would you have the time to write him a note before you do that. In case that one's not available - I don't like to have you go up there on a wild goose....

HMJr: Well, the point - the point is you might write him a note tonight.

L: Well, I think it would carry more weight if you write to him - just - see he's having all his mail sent here. It's redirected by the Post Office so it wouldn't have to come here - it would go directly to him and I won't have to have my finger in the pie at all.

HMJr: Oh.

L: And it would probably work out better that way.

HMJr: Well, what's his address?

L: Well, if you send it to him just in care of United States Court House - just as you would ordinarily write to him.

HMJr: Oh. You don't want to give me his address?

L: Well, I could but it will go to him just as well - you see, the Post Office is redirecting - his mail doesn't come here at all now, while he is away.

HMJr: Well, I'll do the way you say.

L: All right - unless you want to just write to him in care of Windsor, Vermont. You can do it either way.

HMJr: Well, would he get it there?

L: Yes, that's - there's no street address or anything like that.

HMJr: Just care of Windsor, Vermont?

L: Yes.

HMJr: Well, why don't I do that?

L: All right, if you want to do that. I think that will be a better way to do - then he can carry on; otherwise, he will have to write to me at my home and it will be a round-about way to do it.

HMJr: I should think writing him direct....

L: I think so, too, and then he can - he can come right back to you with whatever reply he wants to send.

HMJr: All right. Thank you.

L: Is there anything else I can do for you?

HMJr: That's enough.

L: All right. And - let's see - no, I guess you won't want to get in touch with me on it at all, will you?

HMJr: I'll write to Windsor.

L: All right.

HMJr: Thank you.

L: You're welcome.

- 24 -

H.M.JR: Supposing you (Paul) prepare a letter for me. In view that it is a legal case, I think you should say, "Mr. Paul, my General Counsel, and I would like to come and see you."

MR. PAUL: He is one of the most charming men I ever met.

H.M.JR: Could this thing wait until October?

MR. TIETJENS: They started their hearing yesterday. That was the last news I heard.

MR. DELANO: It seemed to me there was a newspaper story that it had been postponed.

H.M.JR: It seems to me, for me to go way up there to Vermont - Windsor, Vermont--

Let's leave it that way. I would like somebody to advise me as to policy. That is what I would like. And from all accounts I don't see where I could go for better advice. I can't go to a member of the Supreme Court.

August 31, 1948

MEMORANDUM TO THE SECRETARY:

Re: Request of SEC for certified copies of reports of Earnings and Dividends of a national bank for introduction as evidence in a delisting hearing.

The Office of the Comptroller of the Currency has no objection to the furnishing of these reports to the SEC for confidential use, but recommends against the proposed consent by the Treasury of the introduction of these reports as evidence in a public hearing. The reasons for this position follow:

- (1) The furnishing of these reports for introduction in evidence will be regarded by many bankers as a violation of the confidential relationship which has grown up between the banks and the Office of the Comptroller of the Currency as a result of long practice.
- (2) The Commission can subpoena the copies of the reports retained by the bank, and unless enjoined, introduce them in evidence. Because of

-2-

the findings in the Douglas case, it is certain there will be a court test of any right to so publicize these reports. Our restriction to confidential use would only require the Commission to let its proposed action stand the test of legality.

- (3) Congress has specifically authorized the publication by the Comptroller of the reports of examination of banks but only after ninety days' notice to the bank involved. Earnings and Dividends Reports are equally confidential documents. It would seem, therefore, to be questionable policy to publish such reports, or furnish them for another agency to publish, without notice to the bank.

\* \* \* \* \*

I am attaching a copy of a longer memorandum submitted to Mr. Bell.

*Preston Delano*  
Preston Delano

August 24, 1943

MEMORANDUM TO UNDER SECRETARY D. W. BELL:

I am informed that the Securities and Exchange Commission has requested the Secretary to make available for use in evidence in the SEC delisting proceedings against Transamerica Corporation all reports of Earnings and Dividends filed with the Comptroller of the Currency by the Bank of America National Trust and Savings Association of San Francisco for the years 1932 to 1937, inclusive.

The request asks a reversal of the position taken in January 1942, in a letter over your signature, when the Treasury furnished to the SEC copies of certain reports of Earnings and Dividends, but with the express reservation that they would "not be introduced in evidence or otherwise be made public." Before that position was taken, and before that letter was written, with that reservation, a member of my staff visited the SEC and discussed the question with the then Chairman and the

-2-

then General Counsel, each of whom said that such a reservation could not be objected to by the SEC, particularly in view of the Douglas case (Bank of America N.T. & S.A. v. Douglas, (105 F.(2d) 100)).

I am strongly of the opinion that the request should not be granted.

Your letter of January 1942 is not inconsistent with a previous letter signed by Secretary Morgenthau in which he consented to the public official use of information obtained from certain reports of examination of the Bank of America N.T. & S.A. Intervening facts and occurrences make the cases quite different. It was the attempt on the part of the SEC to make public official use of information supplied by the Treasury that brought about the Douglas case. In that case the court held that "except to the extent necessary" to "obtain the necessary facts and information whereby to carry out the investigatory function of the Commission", the reports "should be treated as confidential." Upon assurances by counsel for the Commission that the examiners' reports

-3-

would not be given publicity except as authorized in that opinion (and there was no such authorization) the court held that no injunction against such publicity was needed. It is my firm opinion that the action proposed to be taken by the SEC would make them subject to criticism by the Court for sharp legal practice, and that the Treasury, if it gives them the documents for introduction as evidence in their hearing, would properly share the criticism of the Court.

It is suggested that Earnings and Dividends Reports are less confidential than reports of examination. Even granting that, they nevertheless contain confidential information, the publication of which may injure the bank. The Congress has authorized the publication of reports of examination by the Comptroller in extreme cases when he deems it necessary for correctional purposes, but only after ninety days notice to the bank. Surely the Congress did not intend that reports would be furnished to other agencies for publication without notice. As a matter of fact, the Congress has always shown a regard for the confidential character of the reports of banks.

-4-

It is suggested that it would be healthy to cooperate in revealing misrepresentation. The SEC is in possession of the facts in the case. They can subpoena the copies retained by the bank, and unless enjoined, introduce them in evidence. Our refusal would only require them to let their proposed action stand the test of legality.

Even if it were of unquestioned legality for the Treasury to meet the request of the SEC, I should nevertheless advise against it. Affirmative action by the Treasury would not only be an unnecessary harassment to the Bank of America N.T. & S.A., at a time when it is cooperating with the Treasury, and when the Comptroller of the Currency sees no need for disciplinary measures; but it will disturb all banks, likewise cooperating. Much of the supervisory strength of this Office depends upon a conviction on the part of the banks that we are completely fair in our dealings with them, and that we lean over backwards to respect their confidences and the information that we secure from them. Only in rare instances, when other methods have failed to get corrections, should publicity be used.

-5-

I must add that the position now taken is decidedly in accord with the long tradition of this office. We have consistently refused to accede to such requests as this. Indeed, within the past year we refused similar information to the SEC. True enough, there are not many recorded instances of formal application and formal refusal. It is so well understood throughout the Government that our reports are confidential that not many requests of this character are received any more. But they come occasionally, and they have been rejected in the case of the RFC, the FCA, the Federal Trade Commission, and Congressional Committees, and with no resulting pressure, disapproval or resentment.

I recommend that the SEC'S request be not granted.

*Robert H. Gano*  
Comptroller of the Currency

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 31 1943

TO Secretary Morgenthau  
FROM Randolph Paul

Re: SEC Transamerica hearing

The SEC has requested you to permit it to use in evidence in its delisting proceedings against Transamerica Corporation all Reports of Earnings and Dividends filed with the Comptroller by the Bank of America for the years 1932 to 1937, inclusive. ||

The Treasury has already furnished copies of these reports for the years 1931 through 1936 to the SEC but in a letter dated January 14, 1942, to the SEC Under Secretary Bell stated that the reports were not to "be introduced in evidence or otherwise be made public." The purpose of the present request is to have that restriction removed.

I strongly recommend that the request be granted for the following reasons: //

(1) Not to permit the use of the earnings reports in evidence would be inconsistent with the position first taken by the Treasury in the proceeding. It is my understanding that at the outset of the Transamerica hearing the Treasury promised full cooperation to the SEC. This is evidenced by your letter of November 23, 1936, to Chairman Douglas in which you consented "to the public official use by the Securities and Exchange Commission as part of the proposed proceedings against Transamerica Corporation of such of the information obtained from the twenty examiner's reports of examination of Transamerica Corporation heretofore furnished your Commission as bears on the allegations contained in the proposed order or amendments thereto."

(2) It is unreasonable for the Treasury to say to the SEC, in effect, "You may use the bank's earnings statements in your investigation and preparation for the hearing, but, if you find information in them which you believe vital to the hearing, you may not use such information as evidence. You'll have to get your evidence elsewhere."

- 2 -

(3) There is no statutory or other legal prohibition against granting the request.

(4) The probable effect on the banking fraternity in general of granting the request is greatly over-emphasized. Any wave of resentment on the part of bankers against the Treasury's position in this proceeding resulted from the plunge we took at the beginning of the proceedings and I am not convinced that granting the present request will even cause a further ripple.

(5) The SEC has indicated that it acquiesced in the Under Secretary's letter of January 14, 1942, because it thought the desired reports could be secured from the bank itself. It now turns out that the SEC has tried for almost two years to obtain a stipulation from the bank but has been unsuccessful. The only way the SEC can obtain and use this information, which it considers essential, short of a prolonged court fight, is through the cooperation of the Treasury. I think we should offer that cooperation.

I am attaching a copy of a longer memorandum which I gave to Mr. D. W. Bell.

A handwritten signature in dark ink, appearing to be 'B. G. S.', is written in the center of the page.

Attachment