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September 14, 1943
9:45 a.m.

THIRD WAR LOAN DRIVE (Speeches)

Present: Mr. Gaston
Mr. Smith
Mr. Albee
Mr. Cook
Mrs. Klotz

H.M.JR: The reason I sent for you people is this: I have just had one half hour with General Marshall. I went over there to see him to try and get up to date on the war. I wanted you (Cook) here; you ought to get this, you see. This is for a speech.

Now, in the first place - I don't know as this is any particular news - there is no question, after talking with this man, that we are up against a tough situation - see? - a very tough situation.

What General Marshall said to me was this - here are some of the things: "We are just settling down now for the big fight. We are just ready for the big deployment." By that he means really sending troops from here overseas. "So far all we have been doing is softening them up for the big thing." I am actually quoting his words, you see.

He said, "The air thing has just started out from Great Britain." That hooks up with the other thing - to try to soften them up. "We are going to lose heavily on the ground from now on; heavy casualties right now at Naples."

This is the thing: "The next show will be a consuming furnace." This is all a little contrary, you know.

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Now, he gave me two things. This is very, very interesting. This just came in this morning. It is dated September 13. I have got to go over there - of course I think it is outrageous that we don't get any of this here, but I have got to traipse over there and get it myself. This is signed September 13, and it is from Algiers headquarters. It is directed to General Strong, General Arnold, General Hilldring, King, and the White House.

R.15 "Directive for PWE" - I don't know what that is - "OWI radio to Italy." In other words, this is what they want to send. Does that mean overseas or something?

First just get this. Here this fellow - I mean, I have gotten so excited this morning - this fellow, the Chairman of the District of Columbia, called up Bell and said, "Is there any use of doing anything? It is all over."

Read this, will you? (War Department Incoming Message dated September 13, 1943, read by Mr. Smith, copy attached.)

H.M.JR: Particularly underline that part about labor because I don't know that we have done any of that. That certainly we can get.

MR. ALBEE: The one that came through from the labor unions in France had some request that we answer - that our labor unions answer.

H.M.JR: I don't know. This is only part. It will take a little while to get this picture. The other thing - this is for background - but here is the thing on losses. It makes a picture after a while. That is that.

Here is the thing on losses. This is dated September 6. This is from Algiers. (Indicating War Department Incoming Message dated September 6, 1943.)

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Then it shows how many tons of stuff went in. But that isn't it - I will show you.

Get this: "For example, out of 83820 general purpose vehicles alone authorized under TBA for theater only 62788, or 74.7% were available at the start of the Sicilian Campaign." That isn't it.

"Actual battle losses plus shortage of parts have materially reduced this number." That isn't it.

Here is an example of losses in one month: They lost twenty-two percent of a certain kind of carriage. Fifty-seven millimeter gun, they lost forty-six percent. Seven thousand five hundred tons of ammunition were expended. Then it gives the shortages. It is an amazing thing, all the things that they lost, you see. He says we can use this to show what was burnt up. Would you mind reading from here on?

MRS. KLOTZ: "It must be born in mind that the Sicilian Campaign was an assault against an outpost of the Fortress Europe, defended chiefly by Italian Coastal Divisions of little fighting value. Yet supply of this operation has taken top priority among the Allied Nations for several months. An assault against the Main Fortress of Europe defended by Germans will be much more costly in both equipment and man power. Sicilian operation was launched only by stripping other Divisions remaining in North Africa to extent that they would not have been able to participate effectively in the operation had they been requested.

"I fully appreciate the magnificent production effort already achieved, but a cold blooded estimate of the tasks still ahead should dispel beyond doubt any misplaced optimism that the effort in production can now be relaxed."

H.M.JR: This is available.

MR. COOK: That is the kind of a statement that we were looking for this morning. If we could use that--

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H.M.JR: Now, wait a minute. I am doing this thing backwards.

Now, here is the most amazing thing, which we also can have - all of this we can have.

Would you mind reading this? It is by Private Frank B. Sargent. (Indicating booklet entitled "The Most Common Short-comings in the Training of Battalion and Regimental S-2 Personnel, and some Suggestions to Overcome These.")

I will go back to one year ago; I was talking this stuff to Mrs. Roosevelt. All this is there but you have to go to the number one man to get it.

MR. GASTON: Is this a secret publication?

H.M.JR: It was up until this morning. Marshall read this whole thing out loud to me, himself. He read the whole thing out loud - took the time to read it to me.

Just start reading here. When you get through I want to tell you another story he told me.

(The following excerpt from the booklet read by Mr. Smith:)

"In the training of the American soldier there is one point which, unfortunately so far, has been overlooked. We may call it 'psychological preparation for combat.'

"We had the general impression, at the front, that newly arrived American soldiers did not realize the nature of war; neither did they have a conception of the psychology of the enemy. American soldiers are innocent and trusting; good-hearted and confiding. They are not at all aggressive. Unlike the British and French, Americans have never seen enemy actions in the raw. Maybe they saw ruins of bombed buildings in England, but they used to regard them as if they were remains of ancient Pompeii, or Carthage. The young soldiers could never visualize the human beings who used to live in those buildings and who were now dead.

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Americans never had to drag the torn bodies of loved ones out of smashed buildings, or to fight for survival. Unlike the French, they were never subjected to terror. In other words, Americans never had any reasons to hate anybody. When American troops first came to the front they did not hate their enemy. But if you don't hate your enemy you will fear him if his determination to kill you is stronger than your determination to kill him.

"Psychology of hate. The British and French know what they are fighting for because they have been in this war a long time, and the Germans believe that they do too. The British fight for their very lives; they fight to stop the Germans from bombing their homes; to stop them from killing their families. The British front line soldier slashes forward without mercy. He hates the enemy. The American soldier is different. He is fair minded and thinks that the enemy will be fair too. He does not really want to kill, because he does not hate, yet. Subconsciously he thinks of war as a game where the umpire's whistle will stop it before it gets too rough. He cannot imagine anybody wanting to kill him, and so he commits all the mistakes which have cost so many lives already. Enemy prisoners marvel at the thoughtlessness with which American soldiers move. They cannot understand why Americans never even think of taking cover; why they don't follow through; why they can be bluffed and trapped so easily.

"I know so well those men who were cut to ribbons at the Kasserine Pass, and I know why they were thrown into confusion, panicked by attacks, and accepted their fate almost paralyzed. When they jumped into foxholes to let the tanks roll over them, and were bayoneted in these foxholes by the Infantry that came behind the tanks, they died with an astonished look on their faces, as if they wanted to ask: "Could that be possible, would they really do that?"

"We are prone to regard the Italians with a mixture of contempt and pity. But the boys I knew, who were blown to bits by Italian hand grenades would not think so. If they could come to life again they would not feel pity for

The poor, coerced Italians; they would go after them, until they had killed every last one. So would the medical orderlies I knew, who wanted to treat German casualties and lost their arms by booby traps.

"The psychology of hate is such:

"Until John Doe learns to hate he will be no good. As long as he regards his opponent as a good fellow, a man who, after all, does not really want to fight and kill him, John Doe will go into combat carelessly and not aggressively. He won't go and look for the enemy; he won't want to kill, to destroy; to win. When the enemy proves to be stronger, John Doe will not hold out and counter attack; try to beat the enemy with the last ounce of energy, beat him by his stronger will. John Doe will probably give way, get panicky, and want to leave alone in order to be let alone. He will fall into traps and never lay any traps himself. He will trust anybody and never suspect. His slogan will not be "go (get?) the E...s," but "let's not give away our positions." When lead starts flying thickly, he'll want to run.

"It is in the nature of hate that it can be instilled or acquired. It was instilled into the German, Italian, or Japanese soldiers until it became a habit with them. The American soldiers acquired it after they had been at the front for awhile. Then, of course, they went ahead and nothing could stop them. Then they whistled when they threw hand grenades. But then it was late, and we had lost so many unnecessarily.

"Hate is like gin. It takes awhile, and then, suddenly, it hits you. After you have seen your buddies killed; after you see bodies, or what's left of them, piled up for burial; when you realize that they are after you, too; when it finally connects in your mind that moral code does not exist in this way, then you will begin to hate, and want to retaliate. A soldier has to develop the primitive instinct to kill anybody who threatens him or his own. Beyond that he must learn to kill before the other can get at him.

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"Until he hates the enemy with every instinct and every muscle, he will only be afraid.

"This is primitive psychology, a cruel and inhuman one. But war is all that. Hate must become first nature to a soldier and make him want to use every trick. We went out for days to look for the enemy, we fired at anything that moved, we laid booby traps all over the front, because we wanted to kill. We only had to remember.....

"In the training of intelligence personnel, this psychological factor is of greatest importance. Intelligence personnel, being of intellectually higher standards, must realize that their job will be to know and outwit the enemy. As counterintelligence personnel they will have to detect and neutralize the enemy and his agents. They must learn not to trust. They must be able, through their specialized training, to warn the men in the lines.

"As an example we could mention the numerous casualties suffered due to Arab espionage. Our men trusted the Arabs, made friends with them, tolerated them near positions. Then the bombs and shells came and fell right into those positions where the Arabs had previously been. Dead men don't need to hate any more, but the survivors learned their lesson.

"Intelligence personnel must be trained not to trust anybody, to suspect lies in firm assurances of friendship. They cannot afford to make fine distinctions between good and bad in native populations. They must understand that the lives of other fellows depend on them. The boys in the foxholes like to live too, and hate to die just because some intelligence men had big hearts and could not understand that spies and agents are ostensibly friendly people.

"It would be a good thing if newly arrived intelligence personnel could be given a chance to visit hospitals, and hear some of the stories our casualties would have to tell. They should be given talks by experienced intelligence and

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counterintelligence men (American, British, French). They should read casualty lists and be told why these men had to die, and how they died. They should be given the shock of their lives, now, in the rear areas, in order that they be prepared psychologically to such a pitch that they want nothing else but to get in and retaliate. After that, they should be taught how."

H.M.JR: Isn't that a wonderful piece of writing?

MR. COOK: It certainly is.

H.M.JR: And that has been kicking around in the War Department; nobody has used it.

MR. COOK: It sounds like the Marine talks down at Paris Island.

H.M.JR: Was it you who told me the story about the Marines?

MR. COOK: I don't think so.

H.M.JR: One of the newspapermen said there was a talk a colonel or a general gave these Marines. He said, "Remember, the Army and the Navy are our Allies just like the Russians and the Chinese." (Laughter)

Well, when he got through Marshall told me this story to illustrate it. He said he had a letter from a parent who lost a son in the Air Corps. It went on to say that he felt everything had been done for the son and he appreciated their sending back his remains - his trinkets - then he enclosed a photograph that the Germans had sent of the grave and said, "Look how nice the Germans are - a beautiful grave, and they took a picture and sent it."

Marshall said he had to sit down and write this parent a letter and say he was glad they were taking this thing in such a reasonable way, but then he said, "I had to go and explain that the Germans did this thing just to get them at home to feel kindly disposed towards them."

When we got through he said, "What are you going to do?" I said, "General, I don't know."

He said, "Have you seen these wonderful movies?"

I said, "I have seen some of them." But then, he has this kind of thing which they haven't released.

Now, to sum up - I mean, to me it kind of makes a picture in this sense. Our people at the front and at home still don't know what this war is all about because we are too far removed from it. That is number one.

I think in my speech I can do something to bring the thing home. Instead of doing the thing - "what are we fighting for?" - I think we have to say something about this business, hate, along this line.

Number two, we have got the facts instead of this thing - I thought up until this morning that maybe in a couple of weeks we will take Italy. We are right up against the real thing. And even in Sicily, which they reported like a football game - or baseball - look at the stuff we lost. And this idea that Sicily was easy and we just took it - "Here are some of the ideas of the losses and we had to strip everything in Africa, even to put our forces into Sicily."

When I went to England last year the thing that shocked me was that when they sent the thing to Africa a year ago they had to strip everything in England and practically everything we had in this country to send those few troops we had then. That was a year ago, and evidently we are still not ready, although he says we are. He said that we are now ready to really send people from this country. He told me how many; I won't mention it.

But this idea which has more or less gotten into this country that this is an easy war, that we took Sicily and didn't lose anything, that Italy is going to be a walk-over - I certainly can do a job on that.

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Now, you only want one idea at a time. The other idea is this psychological idea which is so beautifully expressed by this Sargent, and this thing - "the next show will be a consuming furnace."

Have you got something to think about?

MR. ALBEE: I have been thinking about it for a year, sir.

H.M.JR: I know, but for me to talk about?

MR. ALBEE: I think we need some atrocity stories and have needed them for a year.

H.M.JR: On the atrocity end, I called up Watson at five minutes of eight. There are six men--

MR. SMITH: There are six?

H.M.JR: There are six, but they are in the midst of negotiation of swapping prisoners with Japan and if they release the story now they are fearful that the Japanese will kill all of our prisoners and therefore they want to not release this story. And General Marshall pleaded with the President for fear of what would happen to our other prisoners. And General Marshall asked him and he said, "When this is released this is so big that nobody can handle this but the President." But they are holding it up on account of other prisoners. There are six people who escaped from prison who have the most terrific story. But he said--

MRS. KLOTZ: Escaped from where?

H.M.JR: Japan. So there you are, gentlemen. And then this little pin-prick of a girl over there won't let me talk about bombing Germany and Berlin. What is the matter with OWI? And OWI gets this and they don't tell it to us.

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MR. ALBEE: I wrote a rough draft of the thing for Wednesday night; it is going to sound pretty weak in the face of all this stuff.

H.M.JR: What do you think, Herbert?

MR. GASTON: I think we have got to talk about the job that is ahead. People are beginning to feel it, of course. They see how sticky this thing is at Naples and they are a little receptive toward it.

MR. ALBEE: I think so, too.

H.M.JR: What I had in mind, in view of this morning - "The very equipment which is listed there is within my eyesight. I can see over there such and such a piece of equipment. We lost so much of it. Over to the right of me is this kind of a gun - we lost so much of that. And this, ladies and gentlemen, was just a little show. Now, we lost so much of this - this gun cost twenty thousand dollars - we lost ten thousand of them, which alone is so much money" - instead of saying for one - "For this one piece of equipment alone we lost twenty-five thousand dollars."

"I can see over here one of these amphibious boats; one of these boats cost twenty-five thousand dollars - we lost five hundred of them.

"Now, just within my eyesight I can see this. Now, we have got to - if we lost that much in Italy--"

MR. SMITH: Sicily - we aren't even in Italy yet.

H.M.JR: "In Sicily - which, in a sense, was a walk-over - what are we going to do?"

See? That is the kind of speech. "And what I can see from this place here, walking around this show" - just that one idea - "I can stand here and see these things - that gun - we lost so much; that piece of equipment we lost cost so much."

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"Now, in Sicily alone it is estimated we lost so many million dollars; they were consumed in this furnace. Now we have got to go on; we have got to raise this fifteen billion dollars and you might as well know it. We think there is going to be a fourth and a fifth "war Loan."

Just this thing - just this little one idea--

MR. ALBEE: Good, that is swell.

H.M.JR: Now, the thing I think made the biggest hit that "This was a cannon and that a bullet, and that cost so many million dollars - but here I am standing on this platform and here I can see this."

I think that is my talk. Then if we want to get into the St. Louis thing we can talk about the psychology of hate.

MR. GASTON: Where is that speech?

H.M.JR: My speech?

MR. GASTON: This one.

H.M.JR: This is at the arena wednesday night.

MR. GASTON: It isn't from the arena; it is from the radio station.

MRS. KLOTZ: You can't do that, then.

H.M.JR: If you want me to do a good job, let me stand in the arena.

MR. SMITH: If we can pipe it over - we will see if we can do it.

H.M.JR: I can't get inspired sitting in a glass cage thing - or can I?

MR. GASTON: "As I stood in the arena, I looked"--

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H.M.JR: I thought Stimson was standing at the arena.

MR. SMITH: No.

H.M.JR: I guess the other would be better.

MRS. KLOTZ: Say, "Five minutes ago I stood at the Army Show."

MR. SMITH: As a matter of fact, it isn't announced where it comes from, anyway, and if you want to be full of integrity you can look out the window and you can see practically everything. It is right up here on New York Avenue.

H.M.JR: "If I could take you by the hand and lead you through this show I could show you this and that. Let me take you by the hand and walk you through this exhibit of the Army. Let me show you this piece of equipment - we lost so much of that. I would like to take you on a tour of the show, ladies and gentlemen."

MR. ALBEE: Good.

H.M.JR: Whether I do it up there or here it doesn't make any difference. "Let me take you on a tour through this show."

MR. ALBEE: You are going to have to make speeches between drives as well as during drives from now on. This is getting pretty tough.

MR. GASTON: I was thinking of a general outline for all this stuff, which is what we have got ahead - what is it going to take of materials and lives; what it is going to take on the battle front; and what it is going to take at home.

H.M.JR: And then General Marshall, whom I admire and am fond of - he said, "How are we going to do this thing?" He said, "We got out these moving pictures."

- 14 -

I bet they don't show them on the front. Osborne is now going to start debates.

Well, anyway, I am going over there again. But I have given you enough, haven't I?

MR. ALBEE: Yes, sir.

MR. COOK: Yes, sir, excepting what I am interested in is what we can publish and whether General Marshall can get us some of the pictures we are trying to get, and also some of the facts we are trying to get out of the War Department and Navy to base - that is, on which we can base some stories that will let the public around the country realize this thing through the newspapers so we can get our headlines.

H.M.JR: Well, you will have to think it out. We know it exists. You have got to get to see Surles.

MR. COOK: We will get somebody over to Surles right away and see what we can get out of him.

H.M.JR: Right.

- 14 -

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H.M.JR: Right.

SECRET
WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
INCOMING MESSAGE

13 Sept. 1943

Priority

From: Algiers
To: War

No. W 9915, 13 September 1943

Directive for PWE OWI radio to Italy follows. To AGWAR for Combined Chiefs of Staff to USFOR for British Chiefs of Staff signed Eisenhower, FHINC. This is NAF 401

(1) Background Not for propaganda use.

First phase exploitation dramatic combination Armistice and Naples landings now over. 2nd phase begins. Main objective now is to sustain Italian civilian resistance both active resistance of tiny saboteur minority and passive resistance vast majority.

We advise propaganda to Italy should be based on tacit assumption of long and arduous campaign between evenly balanced forces. This campaign may well last into 1944. Even on short view we cannot reckon on early fall of Naples. Here German forces roughly equal our own in strength. Nor can we reckon on Montgomerys advance being rapid enough to affect Naples battle. Nor can we expect in immediate future any but local exploitation capture of Taranto.

Propaganda problem therefore is how to prevent sudden slump volatile Italian moral as Italians come to realize what lies ahead. In our view it will be disastrous suddenly to disclose this grim prospect. On the other hand it is impossible to maintain propaganda at high pitch of confidence early victory recommend in our 1st directive. The following directive attempts

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From: Algiers
To: War

No. W 9915, 13 September 1943

to indicate a middle way. It should be borne in mind by French and English desks

(2) Directive

(A) Take Roosevelt/ Churchill message as key note. Address Italian people as friends and as an occupied people, but do not call them Allies.

(B) Continue in all propaganda to Italy confident optimistic picture military situation linking appeals resistance with stress Allied strength and news of campaign in Italy.

Admit Germans control Rome and Northern Italy but do not stress German strength. Comment constantly upon German strategic embarrassment stressing Russian victories ferment in Balkans inside Germany news and European resistance.

(C) Continue appeals for sabotage German communication lines. Aim of this campaign is not of course to give instructions to actual saboteurs but to create sabotage atmosphere and in particular to insure Italian civilians regard saboteurs as heroes and assist them. This special SOE request. Give there for only such detailed sabotage instructions necessary to create atmosphere. Take care never to call such sabotage appeals instructions but only advice. On this point we are correcting our own broadcasts. Quote in news wherever useful. German admissions Italian sabotage resistance.

(D) Give increasing attention to passive resistance campaign such as majority Italian civilians, actually carry out. To antidote bombing effects stress our bombing directed against German communications and suggest Italians help our bombing by themselves slowing up these communications. Continue labor leader messages to Italian workers especially

CM IN-10571 (14 Sep 43)

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From: Algiers
To: War

No. W 9915, 13 September 1943

transport workers.

(E) Continue ban all appeals to Armed Forces. Requote frequently any official Italian appeals we may be able to obtain.

(F) Continue to avoid all discussion Italian government and King. For your information we are seeking to arrange radio Palermo and if possible at later stage radio Bari become Italian government stations. If they do so should be quoted when giving instructions but we should take care to avoid identifying Italian government propaganda line with our own.

(G) Treat with derision so called National Fascist Government. Dont spotlight Mussolini.

(H) Continue to harp on courageous action Italian Fleet. We shall seek to provide material.

(I) Continue to regard morale German troops in Italy as important propaganda objective. Here our previous directive for week beginning August 30th still holds unchanged by Armistice announcement.

(J) Remember Italian audience only interested by events in Italy and such outside events as directly affect Italian situation. Concentrate therefore in news bulletins on Italian and Russian campaigns Balkan news European resistance and German weakness. Briefest references far east sufficient. Show explicitly how all news from outside Italy links with Italian situation. Avoid at all costs impression of remoteness from Italian situations.

ACTION: CCS

No Sig

INFORMATION: OPD, GEN STRONG, GEN ARNOLD, GEN HILLDRING,
ADM. KING, WHITE HOUSE, LOG

CM-IN-10571 (14 Sep 43) 0334Z vc

Copy No. 43

September 14, 1943
10:40 a.m.

18

Operator: Operator.

HMJr: Have you got those two men?

Operator: Yes, sir. I have them.

HMJr: Put them on. (Pause) Hello.

Operator: There you are -- on the phone.

George
Albee: Albee here.

Fred
Smith: Hello.

HMJr: Listen, men. I just got a knockout. When I talk about this piece of equipment, let's say it's a gun. We lost so much of it. Then I'd say, "Look, this was made in the Dodge Factory at Pontiac by workmen at Pontiac. You lost -- you manufactured this -- this was lost. You've got to make more of them. Now, workmen of the Dodge Branch at Pontiac, your bond quota is Four Million Dollars. Come on, now! Get busy and fill that quota."

A: Uh huh. Uh huh.

HMJr: Hello.

A: Yeah.

HMJr: Take the piece of equipment, trace it back to the factory where it was made and get the quota that they have and call on them to fill this quota.

A: Yeah.

HMJr: We'll get them mad. "All this equipment you made was blown up to hell."

A: Uh huh.

HMJr: Now, we could -- "You've got to make more equipment. You've got to buy more bonds...."

A: Uh huh.

HMJr:and your quota is so much. Now, come on and fill that quota."

A: All right.

HMJr: What do you think?

A: Okay, if it's physically possible to do it.

HMJr: Sure it is. You've got plenty of time - you take the particular piece of equipment, trace it back to the factory, you tell these factory workers that that thing was blown to hell, that they've got to make more of it and they've got to pay for it, and their quota is so much - now, come on, boys, fill this quota and make more of the same thing, only make it better.

A: Uh huh. Okay.

HMJr: That takes it right back to the factory and right back to them and right back to the war bonds.

A: I've got to get this out fast as hell because I've got to begin on St. Louis....

Fred
Smith: Well, I'll - I'll get somebody who can follow - who can contact the Army and do that business of tracking back.

A: Well, I'll do a rough draft of it - all they'll have to do is fill in. I'll have that in your hands in half an hour and then somebody can fill in the figures.

HMJr: Do you like the idea?

S: I think it's wonderful. The only catch is that there may be five factories making gun carriages....

HMJr: That's all right. Then only take - use one as an example.

S: Take one as an example.

HMJr: And then we could get out a series of releases on the others. I'll tell you who is the fastest worker - it's this Colonel Dow in Eddie Greenbaum's office.

S: That's right. Colonel Dow.

HMJr: Yeah.

S: All right.

HMJr: And then you can use this and use all of that stuff and trace it back, one after another, and let the factories announce it in connection with their program to get their quota.

S: That's right.

A: Hit local newspapers with the stuff.

HMJr: Yes.

A: Circularize releases for local papers.

HMJr: Yeah.

A: Yeah.

S: Okay.

HMJr: Okay.

S: All right. I'll get it organized.

A: Right.

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September 14, 1943
11:20 a.m.

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HMJr: Very good. By you yet how is it?

Sam
Rosenman: What's on your mind, Henry?

HMJr: This is to remind me to remind you to remind the President that at his press conference....

R: Yes.

HMJr: ...he is to say that the Treasury is the manager of the Tax Bill.

R: Uh huh.

HMJr: Had you forgotten it?

R: No. I mentioned it this morning.

HMJr: Well, you'll have to see that he does it. Will you?

R: Yes.

HMJr: It will be most helpful all around.

R: Okay. All right, boy.

HMJr: I'm seeing you shortly.

R: Yes, sir.

HMJr: In ten minutes?

R: Fifteen -- yeah, ten minutes.

HMJr: Yeah. But you'll see he comes through.

R: Yes, sir.

HMJr: I saw a nice story about you in today's Times.

R: Yeah, damn it. That -- that was a leak.

HMJr: Okay.

R: All righty.

HMJr: Bye.

R: Bye.

September 14, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I attended with you a conference with the President at 11:30 o'clock today at which were present also Mr. Paul, Judge Rosenman, Mr. Byrnes and Mr. Vinson. As we came in the President said: "What are Herbert and Sam doing here? They don't know anything about taxes, do they?" Both Sam and I offered to leave but the President gave no indication that he was serious and we sat down. Justice Byrnes seated himself along side the President's desk, at the President's left, the others being grouped in a circle in front of the President's desk. Justice Byrnes immediately took the lead. He began in reverse order to take up the various items of the tax program which had been discussed with him and with Vinson the day before. At the outset you endeavored to interject a statement but Byrnes replied by asking if it wasn't best to consider the items in the same order we had yesterday and proceeded with his discussion.

He quickly disposed first of the sales tax by stating that we were all in agreement against it, to which the President assented. Then he took up the items of increased excise taxes on luxuries, an increase in the normal and surtax on ordinary corporate income to a total of 50 per cent and increases in the estate and gift taxes. There was no argument on any of these points and Byrnes stated that all were in substantial agreement. He then came to the important item of integrating payroll taxes at the rate of six per cent on employer and employee, as provided in the Wagner Bill, with an income tax schedule in the brackets above \$3000 to raise about 8.7 billions as called for by our original program, to raise a total of 12 billion dollars. An alternative to that he said was a straight income tax increase, to which he said we were all opposed. There was no dissent from that statement. Byrnes then proceeded to say much as he had on

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Monday that both he and Vinson were strongly sympathetic to social security and had battled for it but neither of them thought there was any chance of getting such a plan through Congress. Vinson supported his arguments. The President then took up the matter and proceeded to summarize the arguments against the plan. As he had apparently concluded you asked for permission to say a word. The President asked you to wait a minute, saying he hadn't finished. He then proceeded to give a good argument in favor of the plan, largely on a political basis. He was inclined to think the country would favor the plan if it were properly presented even though Congress would be against it and there would be a great advantage in demonstrating that the Administration had not swung completely to the right as so many people were saying. It appeared at that point almost as if we had won our case in favor of the integrated plan. However, Byrnes quite insistently asked the President's attention to an alternative plan, which he said Mr. Paul had suggested at the meeting on Monday, which would substitute for payroll taxes a partially refundable increased income tax. Vinson also indicated strong support of this plan.

After discussion to clarify the refundable tax plan the President suggested a possible modification of it to include an optional insurance plan. His suggestion was that refunds might be made in cash of 75 per cent or thereabouts of the total refunds contemplated, but at the rate of 100 per cent if taken in the form of the purchase of insurance. This insurance might be acquired from the post offices or through the Veterans' Administration or some other appropriate agency. The President thought that the taxpayer might be permitted to acquire insurance in an amount equivalent to what combined employer and employee payroll taxes would buy under the social security system for the same amount of contribution represented by the refundable tax.

It was the President's idea that we might present both of the plans, or all three of the suggested plans, as alternatives to the committees of Congress. He then proceeded to write a pencil memorandum. The problem he said was to raise about five billion dollars, which was the approximate amount of the combined increase of employer and employee taxes under the Wagner Act. His memorandum was as follows:

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"1. 5-B. (\$5 billions) Refundable Tax, Graduated

2. 5-B. Combination of

Post War Optional Refund into

(a) Cash less than the Taxes

(b) Paid up insurance 100% of the tax.

3. 5-B. Social Security Contributions."

At one point in his discussion of the political phases of the matter the President said to Vinson that in talking with people on the Hill it would be a good thing to call their attention to the political implications of the proposals.

Vinson brought up again his two proposals of eliminating the earned income tax credit and replacing the family status exemptions with tax credits. Mr. Paul agreed that the so-called earned income credit was not a true earned income provision and that it might well be dropped. As to the tax credit to replace the exemptions he said it ought to be considered that this change would increase the burden on married men and men with families. Vinson could not see this and the matter was not made clear. The President while listening sympathetically did not seem to commit himself to either proposal.

There was a fairly spirited discussion of the question of eliminating the Victory Tax. Mr. Paul reported that several members of the committee, including Bob Doughton, had come back from home convinced that because of the discontent of taxpayers over having to make what amounts to a double return it would be necessary to eliminate the Victory Tax. Vinson argued against doing this on the ground that we had to give way to the Victory Tax last year in order to escape getting a sales tax and that we would probably be in the same danger this year. The President concluded the matter by saying that we could suggest the elimination of the Victory Tax but he thought nobody would cry very hard if we didn't get it.

- 4 -

You expressed concern about the effect of a refundable tax proposal on the present War Bond drive, remarking that by whatever name it was called it was forced lending. It would be very unfortunate, you said, if it came out during the drive that the Administration was considering a forced loan or refundable tax, whereupon Byrnes suggested that it might be possible to defer the whole tax discussion on the Hill until after the drive was concluded. You agreed that would be a very desirable thing to do.

Thereupon there was discussion of the matter of meeting with the Congressional committee leaders and it was arranged that the tax committee leaders would be called to a meeting with the same group in the President's office at 2:00 P.M. tomorrow, Wednesday.

The meeting then adjourned having held from approximately 11:45 until 1:00 P.M.



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Outside Reactions to Social Security Income Tax - Combined
Increases

- Lauchlin Currie: Favorable to idea, but uncertain from strategic standpoint.
- Judge Vinson: Favorable to social security, but vigorously opposed to presenting plan at this time because Ways and Means Committee's hostility to social security will hurt tax aspects of bill.
- Gerhard Colm: Favorable to idea of plan, but is concerned about strategic, political aspects.
- Paul McNutt: Apparently favorable to plan provided social security is put on its own feet and anti-inflation not too much emphasized.
- Altmeyer: Is dubious about the plan, but not disposed to oppose it.
- M. Eccles: Vigorously opposed to plan on the ground that it endangers the tax bill and anti-inflation front. Will send over a memo in day or two.
- Madame Perkins:
(thru Maggs) Opposed to a combination of social security and taxes, because she is afraid social security will suffer.
- Senator Wagner: Doubtful, but wishes help on social security.

2nd copy to F.N.R.
9/14/43

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Madam Perkins:
(thru Maggs) Opposed to a combination of social security and taxes, because she is afraid social security will suffer.

Senator Wagner: Doubtful, but wishes help on social security.

- Wayne Taylor: Favorable to plan, although doubtful as to increase in employers' contributions.
- Harold Smith: Believes proposal would impair, rather than enhance, chances of early enactment of adequate fiscal program. Thinks Social Security contributions should be increased gradually so that maximum rates become effective as decrease in war taxes and compulsory saving become possible.
- Justice Byrnes: Favorable to Social Security, but opposed to presenting plan at this time. Favors instead alternative, incorporating post-war rebate.

Lunch in the Secretary's office, September 14, 1943.

The Secretary invited Lord Keynes, Mr. Berle and myself to lunch, and asked Keynes through me if he would care to bring someone with him. Keynes did bring Mr. Robbins.

The Secretary stated that, unfortunately, he had been delayed at the White House, and had to keep an appointment at 2 o'clock, and so he hoped he would be forgiven if he pursued some business during the lunch hour. He asked what plans Keynes had for continuing the monetary discussions here. Keynes responded that he had been talking with White about it, and that there was to be a general meeting in which he was to bring his men and meet the Treasury and State Department people, and he thought that after that, if there had been some progress, that a drafting committee, to be selected among the United Nations, would begin work. He understood that this was our desire. He added that a promise had been made to his Parliament to debate the matter before it took final form and so he hoped there would be some statement of principles in a few pages that would be made public and which the Parliament could debate publicly before a final draft was published.

The Secretary asked me how that fitted in our program in view of his commitments to Congress. I expressed the view that I thought that he would have to appear before Congressional Committees sometime soon, preferably next week, while the discussions with the British experts were going on and leave for a later appearance discussion of the plan. I said that there still remained the necessity to clear with the President whether or not to go forward with the formal drafting and calling of a conference. We had hoped to make enough progress to take up with the British in a week or so to justify the Secretary's taking it up with the President before any drafting committee would begin work.

The Secretary asked Mr. Berle whether that program met with the approval of the State Department. Mr. Berle said it definitely did. The Secretary asked Mr. Berle whether there was anything he wanted to add and Mr. Berle said no, that our program was quite all right.

The Secretary said it would be desirable to move right along with the British in the matter of discussion, but since Keynes said Parliament would not be discussing it until late October, he (the Secretary) might not be able to wait that long before his next appearance before the Special Committees. Mr. Berle stated he thought it could not wait that long, because the pressure of Congressional inquiries would rapidly increase and it were better to give them such additional information as we could at this stage. Keynes said it would be perfectly satisfactory to his Government to have the Secretary appear before the Congressional Committees at this time particularly since it was not a public meeting. The Secretary stated that though it was not public there still would doubtless be some leaks. Keynes replied, notwithstanding, he thought it would be perfectly all right.

Division of Monetary
Research

- 2 -

The Secretary then went on to ask whether they had come prepared to talk about the Bank as well as the Plan. Keynes said that they had no specific instructions with respect to the Bank, that they had progressed more in their discussions on the Fund than they had with the Bank, but they hoped to be able to discuss it here.

The Secretary asked me what progress we were making with the Bank proposal and I said that we had made a good deal of progress and we hoped soon to be able to bring it to the Secretary, and at which time we would bring it to the President's attention if satisfactory. The Secretary said that Mr. Berle deserved the credit for pushing this Bank, and Berle replied that yes, he had felt constantly that the Fund without the long term investment aspect was quite inadequate.

The Secretary then went on to report Churchill's comments to the effect that there was "too much gold business" in the Stabilization Fund and his people do not like it for that reason. The Secretary explained the advantages of gold in the Fund and Churchill explained that he did not understand the whole business. The one mistake in his career, Churchill said, was when he listened to his Treasury advisors and went back on the gold standard after the last war.

The Secretary asked Keynes some questions on the financing of relief, whether much progress had been made on the matter, and whether the British delegates were going to include that topic in their discussions. Keynes replied that the subject was still somewhat in a fog and he would like very much to discuss it, but he wasn't sure with whom it was to be discussed. He added that he would like very much to discuss it with the Treasury people if possible. The Secretary replied that we would be glad to discuss it with him.

The Secretary then excused himself and asked the group to stay and continue their discussions. After the Secretary left we talked about methods for financing relief.

H. D. White.



SEP 14 1943

Dear Dr. Kung:

This is to express our appreciation for the memorandum which you had Chinese technical experts prepare on monetary rehabilitation and stabilization and for the memorandum giving general observations on the American and British plans for an international monetary organization.

Your willingness to devote the time and energy of your Ministry to the preparation of these proposals is another indication of the willingness of China to participate actively with the other United Nations in solving the difficult economic and financial problems which now confront the United Nations and which will take on enhanced importance after the conclusion of hostilities.

The technical experts of the United States have carefully studied and analyzed your proposals. They have indicated considerable interest in the views expressed in these proposals, particularly with regard to the desirability of giving special consideration to the needs of China and countries in similar position.

The draft proposal of the United States technical experts has already been modified to distinguish between member countries whose home areas have been wholly or partly occupied by the enemy and the other more fortunate member countries with regard both to gold payments and the establishment of initial rates of exchange. These modifications have resulted largely from discussions held with the Chinese technical experts in the United States.

- 2 -

In our future discussions, we will have the advantage of your detailed proposals and these will be given full consideration in any future revision of the present draft proposal.

Sincerely yours,

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

Dr. H. H. Kung,
Minister of Finance,
Chungking, China.

ISF/efs 9/11/43

Transmitted via "Diplomatic Pouch"

Treasury Department
Division of Monetary Research

Date..... 1943

To: Mrs. McHugh

From: L. Shanahan

Attached is a copy of each of the letters sent to the Finance Ministers of various countries. Copies have also been sent to Mrs. Farrell.

Sent ops by White's office

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contributions to the discussions made by Dr. Gorrondona and Dr. Guerrero, the technical experts that you sent to Washington. The several conversations they held with the experts of the United States were helpful to us and we hope to them.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

12/ N. Macgregor D.

Secretary of the Treasury.

His Excellency, Alfredo Machado Hernandez,
The Minister of Finance,
The United States of Venezuela,
Caracas, Venezuela.

Enclosure
EMBRL 9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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I particularly wish to express to you my appreciation for the contribution to the discussions made by the late Mr. Pedro Cosío. The several conversations he held with the experts of the United States were extremely helpful to us. His untimely death is a great loss to his colleagues in this country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. H. Maguire, Jr.

Secretary of the Treasury.

His Excellency, Ricardo Cosío,
The Minister of Finance,
The Oriental Republic of Uruguay,
Montevideo, Uruguay.

Enclosure
EMB:rl 9/9/43

SEP 14 1943

Excellency:

Some time ago there was sent to you and to the other ministers of finance of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. It was intended that the finance ministers would submit this tentative proposal for critical study by their technical experts and would send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. M. Maguire, Jr.

Secretary of the Treasury

His Excellency, Arseni Grigoryevich Zverev,
People's Commissar of Finance,
Moscow,
Union of Soviet Socialist Republics,

Enclosure,

EJH:er 9/2/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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I particularly wish to express to you my appreciation for the contribution to the discussions made by Dr. Holloway, the technical expert that you sent to Washington. The several conversations he held with the experts of the United States were extremely helpful to us and we hope to him. You will find embodied in the revised draft some of his suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. H. Taft

Secretary of the Treasury.

The Honorable Jan Hendrik Hofmeyr,
Minister of Finance,
The Union of South Africa,
Pretoria, Union of South Africa.

Enclosure
TMK:rl 9/9/43

SEP 14 1943

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I particularly wish to express to you my appreciation for the contributions to the discussions made by the technical experts that you designated. The several conversations they held with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft some of their suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

Secretary of the Treasury.

His Excellency, Henryk Strasburger,
Minister of Finance,
Republic of Poland,
London, England.

Enclosure.

WMB/GTS
9/10/43

SEP 14 1943

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I particularly wish to express to you my appreciation for the contribution to the discussions made by Dr. Gomides, the technical expert that you sent to Washington. The several conversations he held with the experts of the United States were helpful to us and we hope to him.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposal for international monetary cooperation.

Sincerely yours,

H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency, Rogelio Espinosa,
The Minister of Finance,
The Republic of Paraguay,
Asuncion, Paraguay.

Enclosure

EMB:rl 9/9/43

SEP 14 1943

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Sincerely yours,

1st H. Morganthau, Jr.
Secretary of the Treasury

His Excellency, Paul Hartzmann,
Minister of Finance,
Kingdom of Norway,
Kingston House, Princes Gate,
London, England.

Enclosure

EMB:ah 9/9/43

SEP 14 1943

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I particularly wish to express to you my appreciation for the contributions to the discussions made by Mr. de Lough and Mr. Polak, the technical experts that you designated. The several conversations they held with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft some of their suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

Let H. Morganthau, Jr.

Secretary of the Treasury

His Excellency, J. van den Broek,
Minister of Finance,
Kingdom of the Netherlands,
A.J. Stratton House,
London, England.

Enclosure

SEP 14 1943

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I particularly wish to express to you my appreciation for the contributions to the discussions made by Mr. Monteros and Mr. Gomez, the technical experts that you sent to Washington. The several conversations they held with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft some of their suggestions.

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Sincerely yours,

W. H. Maguire, Jr.

Secretary of the Treasury

His Excellency, Eduardo Suarez,
Minister of Finance,
The United States of Mexico,
Mexico City, Mexico.

Enclosure

SEP 14 1943

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I particularly wish to express to you my appreciation for the contributions to the discussions made by Mr. Liautaud and Mr. Chauvet, the technical experts that you designated. The several conversations they held with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft some of their suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

121 *H. Morgenthau, Jr.*
Secretary of the Treasury

His Excellency, Abel Lacroix,
The Minister of Finance,
The Republic of Haiti,
Port au Prince, Haiti,

Enclosure

SEP 14 1943

Excellency:

On April 28, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contributions to the discussions made by the technical experts that you designated. The several conversations they held with the experts of the United States were helpful to us and we hope to them.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. M. Maguire, Jr.
Secretary of the Treasury

His Excellency, Kamal Sedki,
The Minister of Finance,
Kingdom of Egypt,
Cairo, Egypt.

Enclosure

9/9/43

SEP 1 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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I particularly wish to express to you my appreciation for the contribution to the discussions made by Mr. Carbo, the technical expert that you designated. The several conversations he held with the experts of the United States were helpful to us and we hope to him. You will find embodied in the revised draft some of his suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

H. H. Morganthau, Jr.

Secretary of the Treasury.

His Excellency, Alberto Wright,
The Minister of Finance,
The Republic of Ecuador,
Quito, Ecuador.

Enclosure.

EMB/mb
9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contribution to the discussions made by Mr. Kenneman, the technical expert that you designated. The conversation he held with the experts of the United States was helpful to us and we hope to him.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. M. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency, J. Furey Picharde,
The Minister of Finance,
Dominican Republic,
Santo Domingo, Dominican Republic.

Enclosure

EMB/mb
9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contributions to the discussions made by the technical experts that you sent to Washington. The several conversations they hold with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft some of their suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. H. Maguire, Jr.

Secretary of the Treasury

His Excellency, Ladislav Faierabend,
The Minister of Finance,
The Republic of Czechoslovakia,
Pursecroft, Brown Street,
London, England.

Enclosure

W. H. M. J. R.

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contribution to the discussions made by Mr. Pasos, the technical expert that you designated. The conversations he held with the experts of the United States were helpful to us and we hope to him.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

1/s/ H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Eduardo I. Montoulier,
The Minister of Finance,
The Republic of Cuba,
Habana, Cuba.

Enclosure

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contributions to the discussions made by the technical experts that you designated. The several conversations they held with the experts of the United States were helpful to us and we hope to them.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

121 W. Mergenthaler, Jr.
Secretary of the Treasury

His Excellency, Carlos Manuel Escalante,
The Minister of Finance,
The Republic of Costa Rica,
San Jose, Costa Rica.

Enclosure

EMB:ah 9/9/43

SEP 14 1943

Excelsiency:

Some time ago there was sent to you and to the other ministers of Finance of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. It was intended that the Finance ministers would submit this tentative proposal for critical study by their technical experts and would send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contributions to the discussions made by the technical experts that you sent to Washington. The several conversations they held with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft some of their suggestions. Since the publication of the revised draft, we received your proposals which contain many interesting suggestions. Your proposals are now being carefully studied by the technical experts of the United States.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

101 H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency, H. H. Kung,
The Minister of Finance,
The Republic of China,
Chungking, China.

HMB/GRW
9/10/43
Enclosure.

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contribution to the discussions made by Mr. Illanes, the technical expert that you designated. The several conversations he held with the experts of the United States were helpful to us and we hope to him.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,
W. A. Maguire, Jr.
Secretary of the Treasury

His Excellency, Guillermo del Pedregal,
The Minister of Finance,
The Republic of Chile,
Santiago, Chile.

Enclosure

RM:ter 9/9/43

SEP 14 1943

My dear Mr. Minister:

On March 4, 1943, I sent to the Finance Ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilisation Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the Finance Ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilisation Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contributions to the discussions made by the technical experts that you sent to Washington. The many conversations they held with the experts of the United States were extremely helpful to us and we hope to them. As you will note we have embodied in the revised draft a large number of their suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilisation Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

12/ H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable J. L. Masley,
Minister of Finance,
Ottawa, Canada.

Enclosure.

JMB/gms
9/10/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contribution to the discussions made by Mr. Bulhoes, the technical expert that you sent to Washington. The several conversations he held with the experts of the United States were helpful to us and we hope to him. You will find embodied in the revised draft some of his suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

121 H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Arthur de Sousa Costa,
The Minister of Finance,
The United States of Brazil,
Rio de Janeiro, Brazil.

Enclosure.

EM:ner 9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contribution to the discussions made by Mr. Ballivian, the technical expert that you designated. The several conversations he held with the experts of the United States were helpful to us and we hope to him.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. H. Maguire

Secretary of the Treasury

His Excellency, Joaquin Espada,
The Minister of Finance,
The Republic of Bolivia,
La Paz, Bolivia.

Enclosure

WHS:ter 9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I particularly wish to express to you my appreciation for the contribution to the discussions made by Baron Boel, the technical expert that you sent to Washington. The several conversations he held with the experts of the United States were extremely helpful to us and we hope to him. You will find embodied in the revised draft some of his suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

H. W. Marguehan, Jr.
Secretary of the Treasury

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

Enclosure.

MB:ier 9/9/43

SEP 14 1943

My dear Mr. Minister:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an international stabilization fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance Ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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I particularly wish to express to you my appreciation for the contributions to the discussions made by Mr. Coombs and Mr. Brigden, the technical experts that you designated. The several conversations they held with the experts of the United States were extremely helpful to us and we hope to them. You will find embodied in the revised draft many of their suggestions.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

10/1 H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable J. B. Chifley,
Treasurer,
Commonwealth of Australia,
Canberra, Australia.

Enclosure.

DMB/mb
9/8/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

I regret that it was not possible for you to send technical experts to Washington for these discussions. The conversations already held have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. M. Maguire, Jr.

Secretary of the Treasury

His Excellency, Juraj Sutej,
Minister of Finance,
Kingdom of Yugoslavia,
Kingston House,
Princess Gate, S.W. 7,
London, England.

Enclosure

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

121 H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Rodrigo Samaya,
The Minister of Finance,
The Republic of El Salvador,
San Salvador, El Salvador.

Enclosure

EMB-af 9/9/43

SEP 14 1943

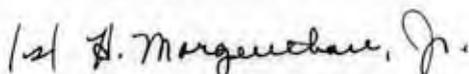
Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,



Secretary of the Treasury

His Excellency, Julio East,
The Minister of Finance,
The Republic of Peru,
Lima, Peru.

Enclosure

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

1/21 H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, J. Ramon Sevilla,
Minister of Finance,
Republic of Nicaragua,
Managua, Nicaragua.

Enclosure

HMB-af 9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

I regret that it was not possible for you to send technical experts to Washington for these discussions. The conversations already held have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

12 | H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable Walter Nash,
Minister of Finance,
Wellington, New Zealand.

Enclosure

EMB-of 9/9/43

SEP 14 1943

My dear Mr. Minister:

On April 28, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

I regret that it was not possible for you to send technical experts to Washington for these discussions. The conversations already held have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

H. H. Morganthau, Jr.

Secretary of the Treasury.

The Honorable James T. Phillips,
Secretary of the Treasury,
Monrovia, Liberia.

Enclosure.

EMB/grs
9/9/43

SEP 16 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

I regret that it was not possible for you to send technical experts to Washington for these discussions. The conversations already held have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilization Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

W. H. Morgenthau, Jr.
Secretary of the Treasury

His Excellency, Salih Jaber,
Minister of Finance,
Kingdom of Iraq,
Baghdad, Iraq.

Enclosure.

100-10643

SEP 14 1943

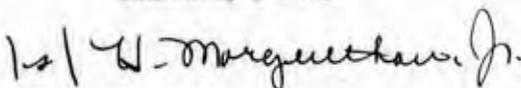
Excellency:

On April 28, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilization Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,



Secretary of the Treasury.

His Excellency, Allayar Saleh,
The Minister of Finance,
Tehran, Iran.

Enclosure.

EMB/grs
9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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Sincerely yours,

H. H. Morganthau, Jr.
Secretary of the Treasury.

His Excellency, Jeremy Raisman,
Finance Member of Governor-General's
Executive Council,
Government of India,
Delhi, India.

Enclosure.

EMB/grs
9/9/43

SEP 14 1943

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Sincerely yours,

121 H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency, Thor Thors,
The Minister of Iceland,
3839 Massachusetts Avenue, N. W.,
Washington, D. C.

Enclosure.

ESB/grs
9/9/43

SEP 14 1943

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Sincerely yours,

H. H. Morgenthau, Jr.

Secretary of the Treasury.

Ria Excellency, Jose Gonzalez Campo,
The Minister of Finance,
The Republic of Guatemala,
Guatemala City, Guatemala.

Enclosure.

EMB/mb
9/9/43

SEP 14 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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Sincerely yours,

H. H. Morgan
Secretary of the Treasury.

His Excellency, Alfonso Araujo,
The Minister of Finance,
The Republic of Colombia,
Bogota, Colombia.

Enclosure
RMB:rl 9/9/43

SEP 14 1943

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Sincerely yours,

121 H. Morgenthau, Jr.
Secretary of the Treasury.

His Excellency, Urbano Quesada,
The Acting Minister of Finance,
The Republic of Honduras,
Tegucigalpa, Honduras.

Enclosure

EMB:rl 9/9/43

SEP 16 1943

My dear Mr. Lindster:

On April 12, 1943, I went to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilisation Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for official study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

These exploratory technical discussions have been going on for some time. The discussions have been very helpful in clarifying the problems connected with international monetary cooperation and in calling forth suggestions for modifications in the tentative proposal. As a result of these discussions, the technical experts of the United States have prepared a revised draft of the tentative proposal for an International Stabilisation Fund. While this draft embodies some of the suggestions of the technical experts of other countries, it does not necessarily represent the views of the experts of any other country.

I wish to express to you my appreciation for the great interest you have shown in the tentative proposal. I am particularly glad that you found it possible to come to Washington for the exploratory discussions. You may be sure that your conversations with the experts of the United States were extremely helpful to us.

There is enclosed for your consideration the revised draft of the tentative proposal for an International Stabilisation Fund. It is my intention to keep you fully informed of further developments in connection with the proposals for international monetary cooperation.

Sincerely yours,

121 *W. M. Merguestan* *W.*

Secretary of the Treasury.

Colonel Andres Soriano,
 Minister of Finance,
 Commonwealth of the Philippines,
 3142 Corner, Park Avenue,
 New York, New York.

Enclosure.

WB:DP 9/9/43

SEP 14 1943

Excellency:

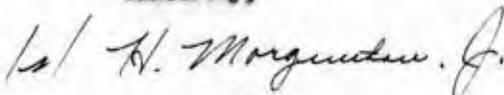
On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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Sincerely,



Secretary of the Treasury.

His Excellency, Jose A. Sosa,
Minister of Finance,
Republic of Panama,
Panama City, Panama.

Enclosure

SEP 9/9/43

Sept
#10 1 ± 1943

Excellency:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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Sincerely yours,

W. M. Maguire, Jr.
Secretary of the Treasury

His Excellency, Pierre Dupong,
Minister of Finance,
Grand Duchy of Luxembourg,
809 Sun Life Building,
Montreal, Canada.

Enclosure.

SMB:gp 9/9/43

Sept.
 14 1943

My dear Mr. Ambassador:

On March 4, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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Sincerely yours,

1st W. M. Marguehlen, Jr.
 Secretary of the Treasury.

The Honorable K. Varvaressos,
 Special Envoy of the Kingdom of Greece,
 Royal Greek Government,
 London, England.

Enclosure.

EMB/grc
 9/9/43

Sept
14 1943

Excellency:

On April 2, 1943, I sent to the finance ministers of the United Nations and the countries associated with them a tentative draft proposal for an International Stabilization Fund, prepared by the technical experts of the United States Treasury in cooperation with the technical experts of other departments of this Government. At that time, I asked the finance ministers to submit this tentative proposal for critical study by their technical experts and to send their experts to Washington for informal discussions with the technical experts of this Government.

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Sincerely yours,

W. H. McLaughlin
Secretary of the Treasury.

Hls Excellency, Mr. Yilma Harassa,
Vice Minister of Finance,
Addis Ababa, Ethiopia.

Enclosure.

WMB/GRS
9/10/43

Fred Smith.

September 14, 1943

The Secretary.

Please telegraph my regrets to the invitation to come to Springfield, Illinois, this week. I feel that if I'm going to do anything at all I'd like to do it properly. Maybe we can do "We The People" program from there during the Fourth War Loan. Anyway I've got enough for this week without taking on another date. Thank them very much. *Fred*

September 14, 1943

Fred Smith.

The Secretary.

I think that Harry Sherman certainly ought to get a nice letter from me on his ad "Shall We Let Him Come Home to This." I understand it's in several hundred newspapers. Will you get the facts and then write me a nice letter of appreciation? I really think he's doing something very patriotic and deserves a letter as well as some of the Hollywood stars. *Done -*

THE NATIONAL NEGRO BUSINESS LEAGUE

77

ORGANIZED 1900
BOOKER T. WASHINGTON, FOUNDER AND FIRST PRESIDENT
OBJECT
TO PROMOTE THE COMMERCIAL AND FINANCIAL DEVELOPMENT OF THE NEGRO

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LEO M. WALLACE, BATON ROUGE, LA.

TUSKEGEE INSTITUTE, ALABAMA

234 Hernando Street
Memphis, Tennessee
September 14, 1943

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OKLAHOMA CITY, OKLAHOMA
PUBLICITY DIRECTOR
MRS. A. V. BOUTTE, NEW ORLEANS, LA.

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

Dear Sir:

I take this method to thank you for appearing on program of the 43rd annual convention of the National Negro Business League on August 25, 1943 in Baltimore, Maryland.

The Associated Negro Press proclaimed it to be the greatest convention since the time of Booker T. Washington, the founder of the League, and some say it is the greatest of all former League conventions.

I want you to know that we give you credit for this outstanding achievement. Your appearance brought together the immense crowd on "President's Night".

Again expressing the appreciation of the National Negro Business League, I am

Yours very truly,


J. E. Walker, M. D.
President

JEW:ba

NEXT ANNUAL CONVENTION; BALTIMORE, AUGUST 25, 26, 27

25

September 14, 1943.

Dear Mr. Vinson:

Thank you for your letter of September 10, transmitting a copy of the statement explaining the various methods of measuring workers' earnings. I was very much interested in seeing the information contained in the report and appreciate your bringing it to my attention.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Fred N. Vinson,
Director, Office of Economic
Stabilization,
Washington, D. C.

GEF/dbs

A photostat of the letter and the enclosure was sent to each member of the Nine-thirty Group on 9/14/43.

OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D. C.

FRED M. VINSON
DIRECTOR

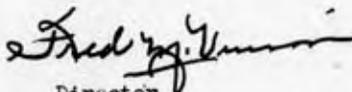
September 10, 1943.

Honorable Henry Morgenthau
Secretary of the Treasury
Washington 25, D. C.

Dear Mr. Secretary:

Recently, because of the interest expressed therein by various members of the Board, I requested the Bureau of Labor Statistics, Department of Labor, to submit a statement explaining the various methods of measuring workers' earnings. The attached statement is in response to this request, and I am transmitting it to you for your information.

Sincerely yours,


Director



Measures of Wages and Worker Income

There are five ways of measuring what workers earn:

Wage rates measure the prices paid for specific jobs.

Average hourly earnings measure the gross amount received per hour of actual work, including premium pay for overtime and work on extra shifts.

Straight-time hourly earnings eliminate the effect of extra pay for overtime, but otherwise are the same as average hourly earnings.

Straight-time hourly earnings with constant weighting provide the closest available measure of changes in wage rates. Eliminated from this measure is the rise in average earnings due to the movement of workers from "low-wage" to "high-wage" industries.

Average weekly earnings measure the "take-home" wage, before tax and bond deductions. These figures will rise, not only because of any wage-rate increases, but also as a result of overtime pay, shift pay, upgrading and shifts of workers toward "high-wage" industries.

The following table shows, for manufacturing industries, the changes in each of these measures of wages since January 1941, wage rate changes being most closely reflected by column 3:

<u>Date</u>	<u>Average Hourly Earnings (gross)</u>	<u>Average Straight-Time Hourly Earnings</u>		<u>Average Weekly Earnings</u>	<u>Cost of Living</u>
		<u>Currently</u>	<u>as of Jan. 1941</u>		
	(1)	(2)	(3)	(4)	(5)
41 January	100	100*	100	100	100
42 July	125	122	118	137	116
October	131	126	122	146	118
43 June	140	135	127*	163	124

The movement of the cost of living is shown above for comparison with the various measures of wages. The cost of living index of the Bureau of Labor Statistics measures average changes in prices of the items which enter into the family budgets of American industrial wage earners and lower-salaried workers. The index includes representative costs of food, clothing, rent, fuel, house furnishings and miscellaneous family expenditure.

The following pages of this memorandum contain a more detailed explanation of each of the measures of wages, as listed above.

*Preliminary.

1. Labor leaders almost invariably discuss wage rates. It is around these—and these alone—that their most vital experience in bargaining centers.

The wage rate is the price paid for a specific job. The rate is usually expressed in cents per hour, or per day or week of a specified length. For some occupations the wage rate is expressed as a price per unit of output, determined ordinarily by considering how much an average worker will be able to earn per hour. In some cases there are bonus systems that provide a guaranteed minimum wage rate per hour, but provide for further compensation if production exceeds a minimum standard.

The wage rate corresponds to the price of a ton of steel. Like the price of steel, it may be surrounded with a series of "extras": for example, a premium for work on the night shift, Sundays or holidays; or for work of more than a specified number of hours per day or week.

2. Average hourly earnings are derived by dividing the total amount of the payroll by the number of hours worked.

They correspond to mill figures for the average realization per ton of steel, including all extras. Thus an increase in night work or in overtime will affect the average. So also a change in the proportion of skilled or semi-skilled labor hired affects the average. For example, when an airplane company suddenly hires 1,000 new workers at 60 cents an hour, the average of hourly earnings in the plant is likely to drop. When the company ceases to expand, normal reclassifications and upgrading will cause the average to rise, quite apart from any increases in wage rates.

In periods of stable employment and little overtime, average hourly earnings correspond closely to an average of wage rates; when overtime is increasing, average hourly earnings rise even though wage rates are unchanged.

3. Average straight-time hourly earnings for all manufacturing industries are estimated by the Bureau of Labor Statistics by reducing average hourly earnings by an appropriate amount to allow for the influence of overtime payments. This measure continues to reflect the influence of shift bonuses and the changing proportions of skilled and unskilled workers.

4. Over recent years average straight-time earnings have increased more rapidly than wage rates because employment in high-wage industries (like shipbuilding) has increased more rapidly than in low-wage industries (like cotton textiles).

This effect has been eliminated by the Bureau of Labor Statistics by developing an unpublished series of average straight-time earnings with constant weighting of employment by industries.

This measure does not eliminate the influence of promotions on earnings. For example, when workers move from a lower-paid textile industry to the higher-paid munitions industry, average earnings advance, even though no wage increases have occurred.

5. Average weekly earnings are secured by dividing the total payroll by the total number of workers on the payroll. This measure averages together the "take-home" of the man with 1 day of work and that of the man who worked seven days. Changes in the average "take-home" are caused primarily by changes in hours worked and in rates of pay.

Included in average weekly earnings are the amounts that may be deducted to pay for bonds or taxes before the worker receives his pay-check. Strictly speaking, therefore, it is not a "take-home" wage.

U. S. Department of Labor
Bureau of Labor Statistics
August 16, 1943

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

September 14, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

With little indication of any decisive action for at least a week or two, Congress reconvenes today at noon. Major issues slated for discussion in the near future, however, include:

1. Manpower - Senator Wheeler has threatened to call for an immediate vote on his measure to suspend the drafting of fathers. But other senators, including Majority Leader Barkley, will attempt to delay the vote until first-hand information on the actual necessity of drafting fathers can be obtained from military leaders. In the House, Chairman May of the Military Affairs Committee says he expects to introduce a bill prohibiting the induction of fathers and releasing those already drafted. Other phases of the many-faceted manpower problem confronting Congress include: the question of a national service act, labor absenteeism, and the strike issue. In regard to the latter, John L. Lewis' coal mine truce with the government runs out on October 31.
2. Post-War Policy - With both major parties now committed to a policy of international cooperation, the Administration is expected to redouble its efforts to break the bottleneck on this matter in the Senate Foreign Relations Committee. One reason advanced for the Committee's reluctance to allow the post-war issue to reach the floor is fear of a lengthy and bitter debate. At any rate, first move is expected in the House where the Fulbright Resolution, with the unanimous approval of the Foreign Affairs Committee, would put Congress on record as favoring U.S. participation in the creation of "appropriate international machinery with power adequate to establish and maintain a just and lasting peace."
3. Inflation - Congress again must consider the two-fold headache of keeping the lid on both prices and wages.

The OPA, a bit more streamlined under the new General Manager Chester Bowles, has ready and waiting a new price-rollback program involving the use of subsidies, so hotly debated before the Congressional recess, and a new method of support prices whereby the government rather than the consumer stands the loss of increased production costs. OPA claims this new program will demand little additional funds and will roll prices back to the level of September 15, 1943.

4. Taxes and the Renegotiation of War Contracts - For the past week, the House Ways and Means Committee has been having hearings on renegotiation, and now has set September 20 as a tentative date for the consideration of the general revenue bill. Prospects at the moment look none too good for the Administration's program requiring \$12,000,000,000 in direct taxes. Yesterday Senator George, Chairman of the Senate Finance Committee, which usually has the last word on tax matters, predicted that Congress would raise only between \$3,000,000,000 and \$5,000,000,000 in direct taxes. Any thing more than that, he said, would probably come from compulsory or "induced" savings. Last week, Representative Carlson, too, expressed the opinion that no increase in taxes would be necessary in view of Italy's surrender.



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. 102 -- Aircraft Despatched
-- for week ended September 7, 1943.

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

September 14, 1943.

MOST SECRET

STATEMENT NO. 102
Aircraft Despatched from the United States
Week Ended September 7th, 1943.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Catalina IV	U.K.	U.K.		3	
Liberator III	India	India		2	
<u>DOUGLAS</u>					
Dakota III	S. Africa	S. Africa		1	
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		15	
Baltimore V (a)	M.E.	M.E.		1	
Marauder II	M.E.	M.E.		1	
<u>N. AMERICAN</u>					
Mitchell II	U.K.	U.K.		10	
Harvard	India	Karachi	44		
<u>VEGA</u>					
Ventura GR V	Canada	Canada			3
Ventura GR V	M.E.	M.E.		9	
<u>CURTISS</u>					
Kittyhawk	M.E.	Port Sudan		5	
Kittyhawk	H.Z.	Auckland		15	
Kittyhawk	U.K.	U.K.		1	
Seawew	U.K.	U.K.		5	
<u>FAIRCHILD</u>					
Fairchild C-61	N.W. Africa	N.W. Africa		10	
<u>VULTEE</u>					
Vengeance	Australia	Melbourne		3	
<u>GRUMMAN</u>					
Hellcat	U.K.	U.K.		4	
Tarpon	E. Africa	E. Africa		13	
Tarpon	U.K.	U.K.		11	
<u>STINSON</u>					
Reliant	U.K.	U.K.		16	
<u>VOUGHT-SIKORSKY</u>					
Corsair	U.K.	U.K.		2	

(a) Omitted from Statement No.101 week ended August 31, 1943.

Total 129 42 3

Movements Division, British Air Commission
September 11, 1943.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OFFICE OF THE SECRETARY OF THE NAVAL AIR FORCE
11 SEP 1943
11 32 30
NAVAL AIR DEPARTMENT

Information received up to 10 a.m., 14th September, 1943.

Early 13th a detached portion of a homeward convoy was attacked by aircraft west of CAPT FINISTERRE and one ship was damaged. 13th/14th. Our motor torpedo boats attacked a southbound convoy off the Dutch coast and possibly torpedoed 3 ships.

MEDITERRANEAN. 11th/12th. Allied coastal forces operated in the Gulf of GAETA. Early 13th a successful minor landing was made at AJACCIO. Two more Italian destroyers are proceeding to MALTA. 14 Italian submarines are now in Allied ports and at least 3 others are known to be coming in. One U.S. Destroyer has been sunk by E-boat while on convoy escort duty. A U.S. Cruiser has been slightly damaged by aircraft. One of H.M. Cruisers has been seriously damaged, cause unknown. 3 British Hospital ships were all attacked by aircraft yesterday off SALERNO, one being set on fire.

2. MILITARY

ITALY. To 4 p.m., 13th. 5th Army. Heavy counter attacks are being made against the SALERNO bridgehead. On the right U.S. forces remain in the CAPACCIO area, but further left 56th Division was forced after heavy losses to withdraw from BATTIPAGLIA. MONTECORVINO airfield is unusable owing to artillery fire but our fighters are now using a landing strip prepared near the beach south of the River SELFI. SALERNO port was opened on the 11th and anti-aircraft defenses have been installed.

MEDITERRANEAN. RHODES, SCARPANTO and CRETE are now believed to be entirely under German control. The Italian garrison of SAMOS has surrendered to the Greeks.

3. AIR OPERATIONS

WESTERN FRONT. 13th. Typhoon bombers sank two small coasters and a barge off the Dutch Islands. 11 tugs, 3 barges, a dredger and a coaster were damaged. 2 Typhoons missing. 13th/14th. Aircraft dispatched - DUISBURG 3, COLOGNE 2, DUSSELDORF 1, MUNCHEN GLADBACH 1.

ITALY. 11th/12th. Wellingtons dropped 164 tons on FROSINONE airfield. 86 medium and light bombers attacked roads, I.T. and other objectives in the battle area.

12th. Fortresses dropped 128 tons on FROSINONE airfield hitting hangars and administrative buildings and destroying 8 aircraft on the ground. Other Fortresses dropped a total of 146 tons on communications at BENEVENTO and MIGNANO 24 miles east-northeast of GETA. Light and medium bombers dropped 186 tons on road junctions, etc. Mustangs destroyed over 80 I.T. on roads in the SAPRI/POTENNA area, 1 Mustang missing. 570 sorties flown by fighters over SALERNO beaches. Enemy casualties 2, 2, 2.

RHODES. 12th. Liberators dropped 76 tons on the airfields at CALITO and MARITZA. Dispersion areas were hit and 6 aircraft destroyed on the ground.

September 15, 1943
9:14 a.m.

HMJr: Hello.

Operator: Colonel Sexton.

HMJr: Hello.

Wm. T. Sexton: Yes, this is Colonel Sexton, Mr. Secretary.

HMJr: Colonel, you're going to be my favorite army officer soon.

S: (Laughs) Well, we viewed the thing from a practical standpoint....

HMJr: Yes.

S:that's all.

HMJr: Well, you're entirely satisfied?

S: Yes, sir. I - as I say, our security control were a little bit unhappy about the thing....

HMJr: Yeah.

S:but that's their policy to be that way.

HMJr: Well, what I want to be sure is that you feel that I'm going to be of some use to the Army....

S: Oh, I'm sure of it. That is a splendid talk, Mr. Secretary.

HMJr: I want you to be satisfied in your own mind that on the home front it will do you some good.

S: Oh, I'm sure it will. That is a perfectly splendid talk.

HMJr: Well, that's - that's all I want to know.

S: It's very powerful. Now, did Mr. Smith tell you about the one matter that we - that we're still checking?

HMJr: I'm not sure. Which one?

- 2 -

S: Well, in utilizing the names of some of those firms....

HMJr: No, but that's - he didn't mention that to me.

S: You see, what has happened is that some of those firms may have made those tanks, for instance, and since that time they have cancelled the contracts....

HMJr: I see.

S:on the cut-back business.

HMJr: No, he didn't tell me but that will - they'll be - if they're not making it, naturally we don't want to pour it on them.

S: No, and I'm - I'm checking that now....

HMJr: Yeah.

S:and I told him that unless he heard from me he could assume that....

HMJr: Yeah.

S:that those - that we weren't - but it would be rather embarrassing if you told them to go ahead and they had to replace those and then they said, "Well, we'd like to but our contract has been cancelled."

HMJr: Well, that wouldn't be what you call a practical approach.

S: No, sir. (Laughs)

HMJr: Now, one other thing to - I was worrying last night and I was going over my conversation - this is to reassure you....

S: Yes, sir.

HMJr:and when we started in General Marshall said, "Now, let me see. In talking this thing over," he was thinking out loud, "I don't want to talk about anything secret."

S: Uh huh.

- 3 -

HMJr: That was his introductory remark to me.

S: Uh huh.

HMJr: I just wanted to tell you if you needed any reinsurance - at least, reassurance.

S: Yes.

HMJr: But when he comes back, I'd like to have another talk with him and just - if there's any doubt in his mind, just clean this thing up.

S: Yes, sir.

HMJr: Do you think he'll be back Monday or Tuesday?

S: Well, I think that - yes, sir, I think he'll be here at that time.

HMJr: Does he always have lunch with the General Staff on Tuesday - Doesn't he?

S: Yes, sir, he does - with the joint Chiefs of Staff.

HMJr: Well, what - what about Monday? Is he tied up Monday?

S: Not that I know of right now.

HMJr: Well, would you make a - I'd like - a date subject to the war, to have him have lunch with me Monday?

S: Yes, sir, I will.

HMJr: Will you do that?

S: Yes, sir.

HMJr: And....

S: Over in your office?

HMJr: Yes.

S: All right, sir.

HMJr: And - because he was most useful to me and if we have something on St. Louis - uh - this other stuff that I'm going to use about the soldiers' morale - I'm going to send that over to you, too.

S: All right, sir.

HMJr: Because that's the other thing that I'd like to talk about.

S: Yes, sir.

HMJr: My whole idea is - I want you to know this first hand - selling bonds is secondary - what I'm trying to do is to bring the war home to the people at home....

S: Yes, sir.

HMJr:and that's my whole object and the whole war bond sales are geared to that.

S: Yes, sir.

HMJr: Now, if we're not doing that, then I want the Army to tell me.

S: Well, I think that -- that talk that you have is just splendid.

HMJr: Now, if I'm not being helpful on the home front, don't spare my feelings.

S: Well, I - I - I'm sure you are, Mr. Secretary, and this particular talk - I was very much impressed with it.

HMJr: Yes.

S: I think it is a very powerful document.

HMJr: I think it is, too.

S: Yes, and I think it will do a lot of good and just the fact that you have cited some figures, I think....

HMJr: Yeah..

S:will be very impressive.

HMJr: Right.

S: I think that it will impress the listener.

HMJr: Now, one other thing, if you've got a moment....

S: Yes, sir.

HMJr:so that - I didn't tell this to General Marshall because it's still up in the air. With the approval of the State Department, I have asked Marshal Stalin to give me a statement on War Bonds and also asked him to say "Thank you" for what we've given him.

S: I see.

HMJr: Now, I said if he would do that and if I could see the statement, I would fly to Fairbanks, Alaska, where we turn the stuff over to them....

S: Yes, sir.

HMJr:and make that the locale for my last speech.

S: I see,

HMJr: See?

S: Yes, sir.

HMJr: Now, the State Department has cleared this thing....

S: Uh huh.

HMJr:and they've backed me up and they sent a telegram to Admiral Stanley urging Marshal Stalin to do this.

S: Yes.

HMJr: What do you think?

S: Well, I think that's a fine idea if you can get Marshal Stalin to do it.

HMJr: Well, we'll know. But if I go, I want some help from the Army.

S: Well, we can take care of that, I'm sure.

HMJr: Fairbanks is the place, isn't it?

S: That's where they turn them over, yes, sir.

HMJr: Well, that's the place I want to do it.

S: Yes, sir.

HMJr: And your security people - if they've got any ideas now that they can't go there and talk from there and say what's there and what I see - the sooner I know it, the better.

S: Yes, sir, well, the only possible thing I could think about that, Mr. Secretary, would be - I'm not sure that if you broadcast from there....

HMJr: Uh huh.

S:that you would get such a good reception here in the States.

HMJr: They checked on that and there are two radio stations - N.B.C. and Mutual and that is all right.

S: It is? They could pick it up with clarity?

HMJr: That is all right.

S: Uh huh.

HMJr: It is just a question of - for me to - that the Army - the world would know that that's the place where we turn over our stuff to the Russians.

S: I see. Well, that does bring up a point. Doesn't it?

HMJr: Yeah.

S: Well, from a practical standpoint, I guess the only people that could do anything about it would be the Japs and I don't think that they can get to it.

HMJr: That's right.

S: Of course, they might - knowing that, it might give them some indication of the route....

HMJr: Well, they....

S: That is followed.

HMJr: Well, they must know it. After all, the stuff goes overhead every day.

S: Yes. I'm sure they -- well, I'm confident that they know it.

HMJr: Well, I'm sort of putting you on notice....

S: Yes, sir.

HMJr: ...and if there is any question, the sooner you tell me that the Army doesn't want it, the better....

S: Well, I'll....

HMJr:because....

S:have that looked into right away.

HMJr: Because we have put all kinds of pressure on the Embassy here -- the Russian Embassy -- and the new Ambassador likes the idea.

S: Yes, sir.

HMJr: And I've discussed it with Mr. Hull and Admiral Leahy and they said, "Well, if they don't come through we won't be any worse off than we are right now."

S: Yes, sir.

HMJr: So....

S: Well, I'll check that particular point right away, Mr.....

HMJr: So, both Mr. Hull and Admiral Leahy know about it.

S: I see.

HMJr: And they seem perfectly satisfied.

S: All right, sir. Well, I don't see how, from the practical viewpoint there would be any....

HMJr: Yeah.

S:any danger in it.

HMJr: Okay.

S: All right, sir, and I'll let you know.

HMJr: Thank you.

S: Yes, sir.

September 15, 1943
9:30 a.m.

THIRD WAR LOAN SPEECH; TAXES

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

H.M.JR: I get all excited and have a pleasant meeting about war bonds, but they don't let me alone very much across the street.

Did you know we got our speech cleared in its entirety?

MR. GASTON: No, I don't know anything about it. The speech for tonight?

H.M.JR: Yes.

MR. BELL: Tonight or tomorrow night?

H.M.JR: Tonight. It is some speech.

MR. BELL: Where are you making a speech tonight?

H.M.JR: Over there at War Bonds. Want to hear it? I might as well be pleasant. I had something very unpleasant here that I got to clean up.

MRS. KLOTZ: The two have nothing to do with each other.

H.M.JR: Fred, while we do the pleasant things, read this to the gang, and then we will go to the other thing.

- 2 -

MR. SMITH: I called Palmer Hoyt, and he is going to clear it. That is, he is going to put an O.K. on it without asking any questions.

H.M.JR: This has been cleared by General Marshall's office, and all the information was given to me personally by General Marshall yesterday morning.

(Speech read by Mr. Smith, copy attached.)

MR. GASTON: That word "resign" - "let us resign ourselves" - that is too much a defeatist word. Say, "Let us make up our minds," or "recognize the fact."

MR. SULLIVAN: Also say, "When and if we take Italy."

MR. WHITE: I think that is the best speech that has been made in the bond campaign.

MR. SMITH: "When and if we conquer the whole of Italy," yes.

H.M.JR: You don't know what we have been through. General Marshall gave me this stuff personally.

MR. WHITE: I wonder whether you might not mention that. I got the feeling--

MRS. KLOTZ: He did in the beginning.

MR. SMITH: "Let me give you some facts which General Marshall says I may share with you."

H.M.JR: He says he has broken every security rule that has been laid down, and they don't just understand how I got it.

MR. WHITE: I think something of that character - "General Marshall has given these figures, and they break every rule of security."

H.M.JR: No, no, he has had enough troubles. He is away, confidentially, and his executive officer went to bat beautifully for me.

- 3 -

MR. WHITE: I have one minor thought there, where you speak of "There will be a fourth, and a fifth, and a sixth." I am wondering whether you need to also say "There will be a ninth and a tenth." It seems interminable.

MRS. KLOTZ: I got that feeling.

H.M.JR: Let's cut that out.

MR. SULLIVAN: Do you think there is a little scolding there of labor?

H.M.JR: Well, there is of management, too.

MR. PAUL: That is the point. Management comes in the second crack, but not the first.

H.M.JR: No, in the first.

MR. PAUL: No, it doesn't come in the first.

MR. SMITH: Wait a minute.

MR. GASTON: What you refer to as the first one is, "You men who work in these plants." He might say, "You men who manage, and you men who work in these plants." When you are talking about those different plants that make these different things - "You men who work, and you men who manage these plants."

H.M.JR: All right. We say there first that management should stop patting itself on the back. Then it also says that labor should stop looking to these blow-outs Saturday evenings.

MR. WHITE: That is a refreshing speech. Do you like that phrase, "Let me take you by the hand"? Is that all right?

H.M.JR: "Let me personally escort you through."

MR. PAUL: The other is better.

- 4 -

MR. BLOUGH: There is nothing about farming in there. Could you bring that in, too?

MRS. KLOTZ: "Let me show you around."

H.M.JR: What do you think, Herbert?

MR. GASTON: I don't like "take you by the hand," either. Say, "let us look together at--"

MR. WHITE: It is a little too much like teacher and pupil.

H.M.JR: All right. "Let me personally"--

MR. SMITH: Just drop "by the hand."

MR. GASTON: Or, "let's go through together."

MR. SULLIVAN: This is tonight, sir?

H.M.JR: Yes.

MR. PAUL: What time?

MR. WHITE: It is a shame; a speech like that ought to get a national hookup.

H.M.JR: It does.

MR. WHITE: What hour is it?

MR. SMITH: Nine-thirty.

MR. WHITE: It has no advance publicity that I have seen.

MR. PAUL: We ought to take the radio up to the Ways and Means Committee tonight. (Laughter)

MR. SMITH: Everything is set. Tomorrow morning's papers ought to be full of it.

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H.M.JR: Everything is set. We couldn't get it in until we got clearance.

MR. GASTON: How about the White House?

H.M.JR: What about the White House?

MR. GASTON: Clearance from the White House.

H.M.JR: What for?

MR. GASTON: I just asked as a matter of curiosity.

H.M.JR: That is what OWI and General Marshall are for.

MR. WHITE: I don't like to be captious, but an eight percent loss in a month of fighting doesn't impress me as very large.

H.M.JR: It is all the things there. Herbert, if I go to clear it, it shows I have a guilty conscience, that I am worried about it. It is personally cleared by Security in the Army, General Marshall's office, Public Relations in the Army, and OWI. What should I worry about?

MR. GASTON: OWI should be sufficient to cover the whole field.

H.M.JR: And the interesting thing in the Army is, the Public Relations people backed up General Marshall's office against the Security people. Is that right?

MR. SMITH: That is what you told me.

H.M.JR: You are right, Herbert.

MR. GASTON: They have been needled a whole lot - the public relations people - they got a good needling out in Chicago.

H.M.JR: OWI is set up to clear the thing.

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MR. GASTON: You are right. I was just expressing curiosity.

H.M.JR: I know what you are thinking, but why should I worry?

MR. WHITE: I still think eight percent of the units lost is small.

H.M.JR: That is only one part.

MR. WHITE: I wonder if you can't cut out some of the eight's and nine's.

H.M.JR: General Greenbaum agreed they never would have released it.

Incidentally, Gaston is going to be invited the twenty-seventh and twenty-eighth - they are inviting a hundred and fifty people, the Army, to tell them how strong the enemy is, what our losses are, and going to give them the whole works. It is a confidential meeting. Then General Surles is going to give out about ninety percent of it each day.

I asked them if they would invite you (Gaston) for the session.

Now, let's - everybody seems to like it - before we get on the tax thing - we do the pleasant thing first - the White House will never let you get but so high; then you go back two steps. This is very confidential. I am going to be amused by it; I am not going to get excited.

This is from the President, dated yesterday, to the Secretary of the Treasury: "I really think this ought to be followed up. Can't you get the Secret Service to try to trace the source of information which Mike Flynn used." Some of you know some of this, and some of you don't. Some of you may be able to assist me.

Any perspiration coming out on your forehead? (Laughter)

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MR. SMITH: No.

(Memo from the President dated September 14, 1943, and letters dated September 13 from Mr. Byrnes and Mr. Vinson read by the Secretary, copies attached.)

H.M.JR: Of course part of that isn't true.

MR. GASTON: No, the Wall Street Journal said two topics were discussed.

H.M.JR: Of course I am not going to have Secret Service do any such thing.

MR. GASTON: I should hope not. Never have an investigative agency investigate where a newspaperman got his story.

H.M.JR: But here is the thing (indicating Wall Street Journal article dated September 11, copy attached). This is the way he underlined it: "The main obstacle to White House clearance, it has been discovered, is the current inter-agency wrangle over tax jurisdiction.

"The new taxes were brought to the White House conference Thursday by Secretary Morgenthau who - to his surprise - found no opportunity to lay them before the President and the other conferees.

"The conference had previously been scheduled for the specific purpose of talking details of the new revenue-raising and inflation-checking plans worked out by Treasury experts.

"However, the discussions at the meeting turned immediately to the jurisdictional dispute.

"War Mobilization Director Byrnes and Economic Stabilization Director Vinson launched a discussion over the Treasury's responsibilities with regard to taxation in light of the executive order establishing the O.W.M. and O.E.S. as bosses of the home front. This discussion - which became heated - lasted a good hour and a half and

- 8 -

the conference then adjourned with the new tax proposals still locked in the Secretary's briefcase.

"The very nature of the new proposals, it is understood, is such that the Treasury refuses to bring them into the light for examination by anyone else before they have been first studied and passed upon by the President. This has aggravated differences among officials over jurisdiction."

This is again underlined: "Secretary Morgenthau was fully prepared to spread the entire program, which had been completed only a short while ago, before the White House assemblage. By doing so, he expected to get the Roosevelt stamp of approval on the proposals and also the concurrence of his associates, Mr. Byrnes and Mr. Vinson."

This is heavily underlined: "Instead, he listened while an effort was made by the O.E.S. and O.W.M. chiefs to get first responsibility for formulation of a tax program. It had been understood previously that the Treasury would be the single exception to the O.E.S. executive order placing all other agencies and departments under the thumb of Judge Vinson. The order itself doesn't say so. But it had been an inner-Administration understanding that that was the case.

"As of this moment, it appears, the Treasury head retains his status as top man on taxes and is outside the jurisdiction of O.E.S. and O.W.M.

"High authorities yesterday insisted that the question of forced savings was not taken up at the Thursday meeting. However, the fundamental issue between Secretary Morgenthau and the other officials named has been over forced savings with the Treasury firmly opposing any recommendation to Congress."

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MR. SMITH: He got ninety percent of that material right out of the Crowther article in the Baltimore Sun, which Crowther said he got from somebody that has complete access to the White House. That was the article that said Vinson was to be an advisor.

MR. PAUL: Crowther tried to get me last night, but I didn't talk with him.

H.M.JR: Now, who besides you in this room has talked to Flynn?

MR. SMITH: Nobody but Shaeffer.

MR. WHITE: I talked to Flynn. I don't know when it was, but it had nothing at all to do with this. He came to see me about Keynes. I think it was before this, but I am not sure. It had nothing at all - he didn't mention this.

MR. SULLIVAN: I talked with Mike, but it was over a week ago.

H.M.JR: On this?

MR. SULLIVAN: No, he came in and said, "What do you know?"

I said, "I don't know." (Laughter)

MR. GASTON: I talked to Mike the last time about two weeks ago. I said, "Hello, Mike," and he said, "Hello, Herb." (Laughter) I can't remember any of the rest of the conversation. I don't think there was any.

H.M.JR: Then it gets down to you (Smith).

MR. SMITH: Shaeffer and I talked with Flynn.

MR. PAUL: I don't think I talked to him, but I don't know Flynn. He may have passed me in the corridor.

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MR. SULLIVAN: The day he came in to see me, Randolph, he said he had been down to your office and you weren't in so you didn't talk to him.

MR. GASTON: I haven't talked to him in months, except to say hello in the hall.

MR. SMITH: You (Mrs. Klotz) talked to him - no, you listened to him. (Laughter)

MRS. KLOTZ: You see how careful I was. (Laughter) No, I didn't talk to him.

MR. BELL: The day we came in here, you remember, a few minutes after the ticker story appeared--

MR. PAUL: Was Flynn the rather heavy fellow? He said, "You had better get your story out; the other side is getting theirs out."

MR. BELL: You remember the day we came in the Secretary's office right after the ticker story appeared and Flynn came into the outer office and I said when I got in here that Flynn was outside and asked if he could see me.

I said, "No, I am going in the Secretary's office."

You said he just saw you down the hall and asked if he could see you. That is Flynn - a heavy-set fellow, dark.

MR. PAUL: I know the one you mean.

H.M.JR: My inclination is for me personally to call up Flynn and ask him to come over and see me.

MR. BLOUGH: The Thursday ticker--

H.M.JR: Herbert?

MR. GASTON: Yes, that would be all right.

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MR. BLOUGH: The Thursday ticker story, it looked to me, had all the earmarks of having been issued before the meeting.

H.M.JR: That is what he (Smith) thinks.

MR. BLOUGH: That was not put in the Wall Street Journal in full. Even they were afraid of it.

MR. GASTON: What was in the Wall Street Journal wasn't much. It just said there was a conference and they talked about jurisdiction and enforced savings.

MR. PAUL: George Bryant told me Mike made a lucky shot; then it was confirmed by us. He said you (Smith) talked to him.

MRS. KLOTZ: Mr. Smith, you didn't see him after that. You just talked to him on the telephone?

MR. SMITH: He did come in after that. You remember, he was getting at all of this on the phone. Then he came in with all of his facts lined up that pointed to this. I didn't deny that what his facts pointed to was true, because I didn't give him any assurance one way or the other.

MR. BELL: Did Bryant say Flynn made a lucky stab and we confirmed it?

MR. PAUL: Mike told George that he said to Fred, "We will be very glad to publish the opposite story if this isn't true." He reported you (Smith) as having said, "We don't - there's enough truth in it that we can't deny it."

MR. SMITH: No, I didn't say that.

(The Secretary held a telephone conversation with Mr. Mike Flynn, as follows:)

September 15, 1943
9:56 a.m.

HMJr: Hello.

Operator: Mr. Flynn.

HMJr: Hello.

Mike
Flynn: Hello.

HMJr: Mike?

F: Yeah. How are you, Mr. Secretary?

HMJr: Fine. Are you very busy?

F: Not at all.

HMJr: Could you drop over and see me about 10:30?

F: Uh - I just came in off a golf course and I'm at home....

HMJr: Oh.

F:and I've got to get - take a bath and then I'll come right over.

HMJr: Well, let me see -- how about 11:00 o'clock?

F: Uh - it's about 10:00 now?

HMJr: Five minutes of ten.

F: Yes, I'll be there at 11:00, Mr. Secretary.

HMJr: Will you?

F: Yes, sir.

HMJr: I'd like to see you alone.

F: Okay.

HMJr: Thanks.

F: Bye.

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H.M.JR: I didn't get that George stuff. What is this other? Walter George?

MR. PAUL: George Bryant. He was in yesterday trying to extract stuff from me. He talked to me. He said that Mike just told him, George Bryant, that he made a lucky stab - lucky guess; then subsequent events confirmed it and we didn't want to deny any of it.

MR. SMITH: That is right. He said, "Do you deny all this?"

I said, "No, I can't deny it; it is a White House story." So that is easy.

MR. BLOUGH: The Saturday story somebody gave out. This was the Thursday one, wasn't it?

MR. GASTON: The stories were on succeeding days, Friday and Saturday. The ticker story was Thursday afternoon.

H.M.JR: I want the Baltimore Sun story.

MR. SMITH: I will get that.

H.M.JR: And the Thursday story.

MR. BLOUGH: The Thursday story was a stab - if it was a stab, it wasn't right. Many things were wrong with the Thursday one. But this Saturday morning story just looked like--

MR. SMITH: The Thursday morning story wasn't a stab; that was given to him.

MR. BLOUGH: It must have been given before the conference.

MR. SMITH: No, after, but I think it was written before the conference. It was given to him after the conference, given to him about one o'clock.

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MR. GASTON: That memorandum was by Jimmy Byrnes?

MRS. KLOTZ: Yes.

MR. GASTON: So far as the published record goes, the story in the Wall Street Journal on Friday and Saturday, it looks as if, just on the face of the published record, standing alone, of those two publications - it looks as if first he made a guess as to what happened at the conference, and second, that the story of Friday came from the Treasury Department. I mean, the story of Saturday morning. It is written to give that impression.

MR. SULLIVAN: There were some details filled in there that were pretty authentic. (Laughter)

MR. SMITH: That was what he said over the phone. That is what worried me. Remember, Mrs. Klotz? He kept mentioning that order. He cooked that whole business up there himself.

MRS. KLOTZ: He had all the facts. And what he wanted you to do was either give him information or deny or confirm all the facts he gave you, all of which you did not do. You avoided him.

H.M.JR: Was he talking to you?

MRS. KLOTZ: No, he was talking to Smith. Shaeffer was listening and turned it over to me part of the time.

MR. SMITH: He went back and amplified what he had done over the telephone, and he did the same thing.

MR. WHITE: Some of the things that we read there couldn't possibly have come from any guess work. It came from somebody who was either present or to whom it had been related.

MR. SMITH: That is from the Crowther article. When he got the Crowther article, then he began to worry about the order. That other is just a plain stab, and a good one. But I think that if you wanted to do it, I believe

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we could go back into the published reports, which is essentially what apparently he did, and build that story just as it exists right there.

H.M.JR: Yes, but what he couldn't say - "Instead, he listened while an effort was made by the O.E.S. and O.W.M. chiefs to get first responsibility for formulation of a tax program."

MR. SMITH: That was from the Crowther article. The Crowther article said it was definitely--

H.M.JR: Get that article - get the Crowther article and the ticker story.

(Mr. Smith left the conference.)

MRS. KLOTZ: When I listened on the phone he (Smith) didn't give him any information.

MR. WHITE: Of course, if he said he couldn't deny it, it is equivalent to saying it is so. That is the box they put you in.

MRS. KLOTZ: No, that happened not on the telephone. He may have said that afterwards, but on the telephone he avoided answering. He didn't say he confirmed it; he didn't say he denied it. He gave him nothing. I was satisfied. What he gave him afterwards, I don't know.

MR. WHITE: Who is most interested in pushing this now? I mean, it is last Saturday, it is already dead, isn't it?

MR. GASTON: The situation is, we complained about this story given out on Thursday not coming from the Treasury and upsetting the apple cart. Then this later story comes out and Byrnes passes the buck to us and to the President and says by the record, by his underlining - he doesn't say so directly, but his underlining indicates very plainly the real leak here is quite obviously from the Treasury Department. That is what he is saying.

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MR. SULLIVAN: "You are another" - this is the kind of letter this is. (Laughter)

H.M.JR: But his letter very carefully leaves out a couple of things. It is a wonderful way to spend a morning.

MRS. KLOTZ: If you don't straighten this out, you will have others.

MR. WHITE: When Crowther has access to the White House - who besides the President was in on the conference in the White House?

H.M.JR: Rosenman.

MR. WHITE: He is considered part of the White House when somebody says they have access to the White House?

H.M.JR: Yes.

MR. WHITE: Because I shouldn't think Roosevelt would take the trouble - the President would take the trouble to repeat much of that to anybody in the White House. It would have to be somebody who was there.

H.M.JR: Rosenman lives in the apartment of Barney Baruch, and Crowther inferred he got the story from Barney Baruch.

MRS. KLOTZ: But he says there it couldn't be Vinson, Byrnes, or Rosenman.

H.M.JR: No, but they could have told it to Baruch and Baruch could have talked.

MR. FLOUGH: Is his allegation that the tone and slant of the article is such that it couldn't have come from them?

MR. GASTON: No, he says, as a matter of fact, that it didn't come from them. Then he underlines those portions which seemed to indicate in the story that it came from the Treasury.

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H.M.JR: I mean, he very carefully avoided a couple of things.

MRS. KLOTZ: The point is, you can't drop it completely.

H.M.JR: I am not. I am going to see Flynn, and I am seeing the President tomorrow morning. When I see him tomorrow morning--

MR. PAUL: Has it been arranged to have Doughton and George there today?

H.M.JR: No. Why?

MR. PAUL: We have a two o'clock meeting today, don't we?

H.M.JR: Sure.

MR. PAUL: I wondered if anybody had called George and Doughton.

H.M.JR: Pa Watson was going to. Well--

MRS. KLOTZ: How about Crowther?

H.M.JR: We had better not go near Crowther. Does anybody here know Crowther?

MR. PAUL: I know Crowther, yes.

H.M.JR: Have you seen Crowther?

MR. PAUL: No. He tried to get me last night.

H.M.JR: Have you seen Crowther?

MR. BLOUGH: About six weeks ago he was around getting some sales tax material.

MR. GASTON: I don't know Crowther.

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MR. PAUL: The day after the conference I went up to the Ways and Means. Crowther was in the corridor--

MR. SULLIVAN: How old a fellow is he?

MR. PAUL: ... and I said something about some previous article he published. He said, "Will you look up the one I published today?" That is all that was said.

(The Secretary left the conference temporarily.)

(Mr. Smith reentered the conference.)

MR. SMITH: This is the Crowther story that came out the day of the first meeting, Baltimore Sun, September 10.

MR. GASTON: It is dated September 9, and appeared in the Baltimore Sun of the 10th. The 9th was the day you held the jurisdictional conference.

H.M.JR: This appeared on Friday?

MR. GASTON: That is right.

MR. SMITH: This appeared immediately after that ticker story of the Wall Street Journal.

(Article by Rodney Crowther appearing in the Baltimore Sun read by Mr. Smith, copy attached.)

H.M.JR: There is nothing in the Crowther article that helped Mike Flynn much in writing this.

MR. SMITH: Yes, there is. It was announced before this meeting by Steve Early that the meeting was being held to listen to the tax proposals of the Treasury. Immediately after that the Flynn article came out which pointed out that there was a big discussion. Immediately after that then this came out which said there was a big fight and that Vinson was given second place.

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H.M.JR: Now wait a minute. Thursday a.m. Steve Early at his press conference--

MR. SMITH: I am not sure that was a press conference, but I know he gave it out.

H.M.JR: That is September 9. Steve Early at his press conference said a meeting - have you got the ticker story on that?

MR. SMITH: I can get it.

H.M.JR: Supposing you get that. That ought to be exhibit one.

MR. SMITH: Flynn apparently called him first. I don't know how much of that was in the ticker and how much Flynn got from Early, but the impression was definitely given that they were there to listen to the tax proposals.

H.M.JR: Let's get that, the Mike Flynn story on the Dow-Jones ticker. That is two. Three would be the Crowther story in the Baltimore Sun.

MR. SMITH: What were the first two?

H.M.JR: Steve Early's and Mike Flynn's--

MR. SMITH: The second one was Mike Flynn's story about what was discussed, which was given to him - that was the Dow-Jones - given to him immediately after the meeting.

H.M.JR: I have that. That is second.

MR. SMITH: The third story was this Rodney Crowther story.

MR. BELL: I thought that appeared before the conference

MR. SMITH: No. Apparently it was written Thursday night.

H.M.JR: And then four would be the Wall Street Journal story. That is Friday a.m. And five, the Wall Street Journal Saturday story. I want all of these. Now, let's stop this a minute, and let me just go on with this other thing. Then I will come back to this.

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H.M.JR: Now, I am sorry to do this thing, but these things, while they seem unimportant, are very important. What are we going to do at two o'clock?

MR. PAUL: I don't know what to do exactly. I have got--

MR. GASTON: Mr. Secretary, it seems to me that the President should be told plainly that his complicated insurance scheme is going to deal an awful blow to the whole Social Security program in offering a half portion substitute for the plan; that is just going to kill any Social Security legislation. And if you are going to do anything on the Social Security line it would be much better to have a provision in the law that your taxes in the lower groups, whether they are refundable or not, may later be applied against any increased Social Security pay-roll levies above the two percent, rather than to try to grant insurance policies in this bill - which is just going to wreck the whole Social Security scheme.

MR. BLOUGH: I think it would depend on whether these are life insurance policies or annuities.

MR. PAUL: I think that is a relatively unimportant aspect of it. It can be done. I have been discussing it with Russ Reagh, the actuary. You can either give life insurance or you can give some sort of an annuity to these people which would begin at sixty-five. It wouldn't amount to anything, but added to the regular Social Security it wouldn't seem too small.

MR. GASTON: Wouldn't you take on a battle with the insurance interests that would be just as bad as the battle with the medical interests?

MR. PAUL: I don't know, but it doesn't seem to me that is the important point, Herb. I mean, the important thing is - there are two important questions we agreed on. We agreed on estate and gift; we agreed on corporations. That makes a total of a little

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over four billion program. What we didn't agree on was items one and two in that program we submitted.

MR. BELL: You are talking now about Byrnes' and Vinson's crowd?

MR. PAUL: Yes. Now, the President, as I got the conference yesterday - and leaving altogether out this special insurance feature which was his own invention, like humpty-dumpty - he decided that he wanted to submit alternative programs. One alternative would be the Social Security program of the Secretary with the medical feature out, which takes a good big chunk out of it. It takes out of five billion three hundred million nearly two billion - about one billion eight.

MR. GASTON: That was the last alternative he listed - the third?

MR. PAUL: That is right. Now he also indicated - I don't think there is any use in blinking the fact - that he was ready to submit as an alternative plan a combination of tax and compulsory saving, or refundable tax.

H.M.JR: No, look, Paul, the President said two or three times he didn't understand it - he didn't understand it. Two or three times he said, "I don't understand this thing."

MR. PAUL: I thought he understood it pretty well. He got the aggressive idea in it.

MR. GASTON: He listed these three possible alternatives for further discussion - possible alternatives for submission to Congress. He threw out the straight tax thing.

MR. PAUL: That was perfectly clear.

MR. GASTON: Number one alternative was what? A straight refundable tax?

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MR. PAUL: Refundable tax graduated.

MR. GASTON: Number two was the refundable tax with these insurance wrinkles in it - insurance options in it.

MR. WHITE: Life insurance?

MR. GASTON: I gathered from him it was old age and survivors insurance, because he spoke of buying the same amount as the combined employer and employee taxes would buy.

MR. PAUL: Of course if we don't decide whether he wanted that refundable tax as one of his alternative programs, I can't go on.

H.M.JR: I am not discussing that. All I am discussing is, you told me, now, a couple of times that you think he is sympathetic to that. I am simply saying it should be in as an alternative plan. But I didn't get from him any particular sympathy to it.

MR. PAUL: I don't mean to say he was sympathetic to it.

H.M.JR: That should be in, there is no question about it.

MR. PAUL: If you put that in you have got to decide what your total is under that plan, because--

H.M.JR: Don't keep putting it up to me. You have had since yesterday to think about it. The purpose of this meeting was to get the benefit of what you people have been talking about since this happened.

MR. BELL: Is this meeting this afternoon for the purpose of submitting a program to these Congressional leaders?

H.M.JR: The purpose of this meeting, as I get it, is this: To tell these people we have three alternative

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plans and that the Treasury staff and the staff on the Hill should get together and try to work out something and come to an agreement and present it on the 4th of October when the War Bond thing is over.

Strangely enough, Byrnes raised the thing that this might be harmful to the War Bond Drive and therefore couldn't we stall on it - put it over until the drive is over.

MR. PAUL: That is right.

H.M.JR: So then they said - then I threw in the suggestion, "Why don't we do it this way - with staff discussions, whip the thing into shape."

Byrnes surprised me. He said he didn't think the Hill would object to that.

MR. BELL: Why aren't you expecting the program, then, to follow out this afternoon just what you have done here? You present the Treasury program like you did to the President, then the alternatives would follow.

H.M.JR: No, I think--

MR. BELL: Or the President will take the lead and say what he wants.

H.M.JR: What will happen is this: If the President looks to us - before you could say Jack Robinson, Byrnes spoke as though he was the moderator - as though he was presenting the program for everybody. "What have you got to say, Mr. Morgenthau?" or "Mr. Paul," or "Mr. Morgenthau said this yesterday."

He acted as though he was chairman of the meeting that was taking place. I had the greatest difficulty getting in on the conversation at all. When we go in there this afternoon, if the President doesn't take the ball, Byrnes will. I was wondering if I should attempt to take it.

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I can say, "These three alternatives" - if I had something on a piece of paper - but I can't do it from this - simply say, "Mr. President, as a result of yesterday's meeting" - I mean, I may have to have a loud-speaker to be heard, but-- (Laughter)

MR. PAUL: Have to have a Sergeant at Arms. (Laughter)

H.M.JR: Say, "Now this is as I understand it; you want us to study this with Mr. Stam and his staff and try to come to some kind of an agreement."

MR. PAUL: Well, there are two things.

H.M.JR: But you have to sort of clean up that thing. Rosenman has it pretty well in mind - which takes legislation and which doesn't.

MR. PAUL: I understand all that. That is an artificial issue, anyway, because it all takes legislation. It is just a question of whether the legislation is in the tax bill or in some other bill. That is purely artificial.

H.M.JR: I talked with him last night - with Rosenman - at my house, and he seemed to think that the thing was in good shape.

Of course, the President said when we left, "I think we have made progress." But the thing which is so difficult to explain is this so-called paid-up insurance thing of the President's.

MR. PAUL: We can write you something about that. You can have one of two things; you can have the total amount of postwar rebate applied to the purchase of regular life insurance - paid-up life insurance - or you can apply it to the purchase of an annuity beginning at the age of sixty-five.

If you take either alternative you have got to vary the amount of benefit on account of the age of the person receiving the postwar credit.

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MR. BELL: It seems to me like that has a lot of detail.

MR. WHITE: It is awfully small payment--

MR. PAUL: At age thirty you would get three to one.

The really important thing you have to decide is alternative number one, there, because we have to decide how much the program, under one will be. We have schedules constructed for six billion which involves about three and a half to four billion postwar rebate.

Now, do you want that, or do you want more, because the amount was left in the air.

H.M.JR: I can't answer it. I don't know. That would be the purpose of discussion.

MR. PAUL: Tell me how much program you want. If you have four billion outside of this, you would have to take eight billion to get your twelve; or do you want to reduce your twelve?

H.M.JR: I am not going to decide that.

MR. PAUL: That is the big gap left undecided - the amount.

H.M.JR: I suppose that is the purpose of this discussion between the Hill and ourselves.

MR. BELL: I thought we had gotten away from the twelve and gotten down to eight, seven.

MR. GASTON: That was income tax alone.

H.M.JR: Look, Paul, can't you give me something so that I could get off to a start, say, "Mr. President, now I understand these are the alternatives you would like" - and the fact that his alternative is no good, let the Hill turn that one down instead of us. Let them say,

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"We can't fool with that," see? And on the Social Security one, the same way. If it doesn't bring in the income - if it doesn't, O.K. But let them turn it down.

Let's take this thing literally, just as he gave it to us.

MR. PAUL: I can expand that into a one-page memorandum.

H.M.JR: My feeling is I think it would be good tactics to take what he said just literally, and then let them say, "Oh, this is impossible," and "That is impossible," and so forth and so on. We are just going to carry - he pounded the desk and said he was going to decide, and what he decided, that was it.

All right, now he has decided; let's just take him at his word and see what happens.

MR. BELL: Don't you think the President will take the lead here and say, "This is what we have in mind, gentlemen. We would like to get your reaction to it," and turn to you or Paul and ask you to explain?

H.M.JR: No, this happened twice. Byrnes doesn't even give the President a chance.

MR. PAUL: He is going to do that today.

H.M.JR: He is sitting on the same side of the desk as the President. I don't know where the President puts his feet. (Laughter) He does a regular Jesse Jones trick; he starts over at this side (indicating) and gradually he is around. He does all the talking.

MR. PAUL: He will force the issue on compulsory savings this afternoon.

MR. WHITE: You could top that, probably, by having a one-page memorandum which you distribute to begin with.

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H.M.JR: No, I will tell you, I have been thinking; let's go over there - Herbert, you are going again--

MR. GASTON: I am going again? Didn't the President invite me to stay away yesterday?

H.M.JR: He didn't invite you any more than he did Rosenman.

MR. GASTON: I thought Sam was just to make it look better.

H.M.JR: Don't be sensitive.

MR. GASTON: I am not sensitive. If your judgment is it is all right and you say for me to come, of course I will come.

H.M.JR: If I was as sensitive as that, I would walk out on Cabinet. I wouldn't know whether I was welcome there or anybody else was. He is always sarcastic like that. I mean, that is just his way of being friendly and jocular. (Laughter)

MR. GASTON: I think it was a combination.

H.M.JR: No, he was just letting you know he knew you, and so forth. That was a friendly greeting.

MR. GASTON: I thought he was ribbing you and ribbing me, both.

H.M.JR: I didn't. I just thought that was his form of a friendly greeting.

MR. GASTON: I will take it that way.

H.M.JR: Well, let's go over, Randolph - I mean I am going to - I will just have to rely on my instinct on this thing, because you are in an impossible position to build a real program based on that, if you followed this literally. Right?

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MR. PAUL: Well, I am - I can build a program out of this, but I would like to know what the amount is. I don't know.

H.M.JR: I don't know, either.

MR. GASTON: It seems to me the proposition is rather simple. We are going to discuss two things with the Committee leaders in our presence - the President - one is a matter of procedure - this timing which he probably will discuss - and the other is a matter of a tax program.

He will go over it just as we did yesterday. Yesterday we discussed some items in a program. We are pretty well in agreement in these items. He will go over those from the bottom of the list. That is the excise taxes, the estate and gift taxes, and the corporation taxes.

Now then, we have some alternatives on this question of income taxes. It is complicated a great deal by the prospect of Social Security legislation, and so one thing that we have been discussing is a program in which we frankly integrate increased Social Security taxes with an income tax program and then after - "What do you think of that?" And then we have some other alternatives.

MR. PAUL: But the President has knocked a big block of that right out of it.

H.M.JR: Paul, would you mind following what I suggested and that is to have a one-page memorandum ready, taking the President literally - what he said? Let's do it that way.

MR. PAUL: All right. I think that is all right because gawd knows what will happen from the Hill people. It will all be changed today.

MR. GASTON: The President indicated he wanted to lay the whole thing before those fellows on the Hill.

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H.M.JR: I don't want to go in there and have the President feel I am resisting him, and somebody else will - I don't want to be that person because it isn't important.

(The Secretary held a telephone conversation with General Watson, as follows:)

September 15, 1943
10:31 a.m.

HMJr: Good morning.

E. M.
Watson: Hello, there.

HMJr: How are you?

W: Fine.

HMJr: Is that two o'clock appointment on?

W: Yeah.

HMJr: And are the gentlemen from the Hill coming?

W: Yeah.

HMJr: Good. Well, then....

W: Everybody's set.

HMJr: Well, then it will be - I'm bringing Paul and Gaston with me.

W: Good. That's okay.

HMJr: That's okay?

W: Yeah.

HMJr: Thank you very much.

W: All right, sir. I hope you have a good meeting.

HMJr: I hope so.

W: Clean up everything.

HMJr: I hope so.

W: All right.

HMJr: Thank you.

W: Good bye.

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H.M.JR: He says that will be O.K. I said--

MR. GASTON: Who is this?

H.M.JR: General Watson. He said, "The answer is that will be O.K."

Paul, unless you think I am making a major blunder, let's do it this way, see?

MR. PAUL: The only thing - I don't think that is a major blunder, but I want you to be prepared on one point. It may very well come, and that is the first alternative on the President's list.

H.M.JR: I understand.

MR. PAUL: How much will it be, and what part of it will be compulsory?

H.M.JR: I don't know.

MR. PAUL: I have thought it over and I have looked at rate schedules and I think a total of about six and a half is about the right amount. That makes a little over - with the other four - a program of a little over ten gross.

H.M.JR: I don't know. And I would like to have a chance to study it.

MR. GASTON: I am inclined to agree with Randolph as to the total over-all.

MR. PAUL: We went over there yesterday afternoon--

H.M.JR: Let's let it just ride.

MR. WHITE: I don't know how much the men have studied the insurance angle, but I think it would be wise to say you have not had an opportunity to study it yet because there are some merits to it.

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H.M.JR: I am not going to commit myself on the figure. The thing is going to move so fast you won't be able to think, anyway. You mean ten - ten and a half gross?

MR. PAUL: We have a schedule, for instance, to get the six. You will have to start with a rate of about twenty-one percent surtax. That is a raise of about five points over the present surtax.

H.M.JR: I invited Baruch for lunch thinking we would tell him about the tax program, and what's-his-name is coming today - his side-kick. Shall we tell him about this - get his advice?

MR. PAUL: You might as well - it will be in the papers.

H.M.JR: Supposing you come at quarter of one, will you?

MR. PAUL: Well, you decide what you want me to do. I have a staff lunch and I have invited one of the Ways and Means members down to it.

H.M.JR: Cancel it or postpone it, can't you?

MR. PAUL: I will have to postpone it until next week. I can only get the room Wednesday.

MR. BELL: Change with Thompson. His is tomorrow.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
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(The following address of SECRETARY MORGENTHAU at the Army's "Back the Attack" War Show on the Washington Monument Grounds is scheduled to be delivered at 9:30 p.m., Eastern War Time, Wednesday, September 15, 1943. It will be broadcast over the Blue Network.)

Ladies and Gentlemen, I am speaking to you from the Army Show in Washington. I wish every man and woman in America could see these weapons. They illustrate a bitter lesson. Let me take you by the hand, through this show. Let me give you some facts which General Marshall says I may share with you.

From where I am standing I can see a 155 millimeter howitzer. In one month, in Sicily, we lost 13 per cent of all the 155 millimeter howitzers we landed.

Near this howitzer I see some 57 millimeter guns. In Sicily we lost 46 per cent of all the 57 millimeter guns we put into action there.

I'm not talking about Italy. I'm talking about Sicily. In Sicily we met only a small fraction of the opposition we are getting from the Germans, now, in Italy. Sicily was merely an outpost of the fortress of Europe, very lightly defended.

Listen to what it cost us.

We lost 36 per cent of the motor carriages for our 75 millimeter guns. We lost 22 per cent of the carriages for our 105 millimeter howitzers. We lost 54 per cent of the carriages for our 37 millimeter guns! All this in a minor campaign that lasted one month! We lost 7 per cent of our light tanks, 8 per cent of our medium tanks. We lost nearly 13 per cent of our 37 millimeter guns.

I say nothing of killed and wounded. I say nothing of the vast quantity of secondary materials used -- things like 1,100 miles of copper telephone wire. I speak now only of weapons and combat vehicles destroyed by the enemy or otherwise put out of service -- weapons and combat vehicles which must be replaced at once -- and ten times over! -- if we are to have a chance against the Germans in Italy, where we are evenly matched for the first time in this war.

Nearly half of the 57 millimeter guns we used in Sicily are gone forever. Are you listening, you workmen at Yoder Manufacturing? You made those guns. Your Bond quota is \$175,000. Will you top it?

More than a third of the 75 millimeter motor carriages we sent into Sicily are lost. Are you listening, you workmen at Cadillac? You made those carriages! Your Bond quota is \$100 for every man. Will you make that, too?

We lost 8 per cent of our medium tanks. They were manufactured by Lima Locomotive, Pullman Standard, Pressed Steel Car, Baldwin and American Locomotive. How about you men there -- you men in management, you men in the plant? How about your Bond quotas? Will you top them?

We don't like war. Who does? Except the Germans and the Japanese! But, because we don't like war, too many of us behave foolishly.

At the slightest excuse, we throw our hats into the air and yell "three cheers for our side." Given the slightest encouragement, we decide that the War is over.

When we were cleaning the Germans out of North Africa, we were as proud as though the war were already won. The fact

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is that the British did as much as we did, if not more. And at the most, in North Africa, the United Nations' forces engaged no more than 15 German Divisions. The Russians are fighting 200.

When we beat the Germans in Sicily, we cheered again. The war was practically over, again. Well -- Sicily was only an outpost held by two or three German divisions. The Italians hardly fought back. Yet, again, with British help, it took us a full month to conquer Sicily. And, as I say, in certain types of equipment we lost half of the weapons we put into the battle.

A week ago, Italy surrendered. We did the same thing all over again. The war was won. We could stop drafting soldiers. We could stop producing weapons. We could reduce taxes. Everybody could sit back and take it easy.

Well, you've seen the newspapers today. We are holding, around Naples, but we are just barely holding, with tremendous loss of life. In a hard week of fighting we have managed to gain only a small foothold in Italy. Today the situation is critical. In any event, we still have to drive north about 500 miles, with the Germans fighting every inch of the way. At the very least, it will take months. And, months from now, this winter or next spring, when and if we conquer the whole of Italy, we will still be nowhere near Germany. We will still have a long way to go.

Let us stop this foolish, childish, over-optimism and over-confidence. It is criminal. It is criminal because every time we decide the War is won, we sign a death warrant for another thousand, or two thousand, or five thousand American soldiers and sailors.

Let management spend less time telling the public what a magnificent job it is doing - which everybody knows - and more time doing the job.

Let labor think less about the fun it's going to have on Saturday night, and think more about ways to increase production and buy more Bonds.

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This is the beginning of the War, as far as the United States is concerned -- this attack we are launching in Italy. These next few weeks and months will bring losses of life and material that will shock and stagger us.

Let us make up our minds now that this Third War Loan will not be the last. There will be a Fourth War Loan, and a Fifth and a Sixth.

At this Army Show in Washington, clustered around me, are the gigantic weapons of modern, mechanized War. They look very efficient, even attractive, in their neat, field-drab paint. But let's not forget for one moment that these weapons are for the purpose of killing Germans and Japanese.

We must kill them, or they will kill us.

We are fighting for our lives.

Anyone who forgets that, anyone who reduces his effort for a single minute, betrays the men who are fighting on the battle front.

The words "Back the Attack" are no mere slogan. They exactly describe what we must do, and do now, if we are to win this war. With every ounce of energy at our command, with the utmost effort of which we are capable, we must "Back the Attack," this month -- and next month -- and the month after.

Back - This - Attack!

THE SUN
Baltimore

September 10, 1943

F.D.R.'S TAX STAND LEFT TO TREASURY

Vinson is Expected to Serve on Program as an Adviser Only
- - - -

Ways, Means of Raising Revenue to be up to Congress, Belief
- - - -

War Department official tells House committee Government has saved \$3,955,845,000 under renegotiation law... Page 13

By Rodney Crowther

Washington, Sept. 9--The long-standing quarrel within the Administration over the nature of the new tax program and who will take the lead in the fight for it finally was settled at the White House today by President Roosevelt himself, according to word which spread following a conference of the President with his anti-inflation and fiscal advisers.

Although the White House maintained silence, and Treasury officials refused to talk about the matter, word got around quickly that the meeting definitely decided who will be tax spokesman for the Administration.

Vinson's Expected Role

At the same time members of Congress began hearing that Fred M. Vinson, economic stabilization director, whose views on the matters have differed considerably from those of the Treasury, will serve only in an advisory capacity on the program, confirming inferentially word in other quarters that the President decided to depend upon the Treasury to offer whatever views the Administration decides to offer Congress.

Present at the White House meeting were Secretary Morgenthau; James F. Byrnes, war mobilization director; Vinson, Randolph Paul, Treasury general counsel, and Judge

- 2 -

Samuel I. Rosenman, personal adviser of the President.

The presence of Judge Rosenman lent color to the word circulated in unusually well-informed quarters that there had been a showdown and a solution of the quarrel which has prevented the Treasury so far from formulating a definite tax program for submission to Congress.

To Be Up to Congress

Meanwhile, members of Congress heard that the Treasury intends to leave it pretty much up to Congress itself to find ways and means of meeting the \$12,000,000,000 of additional revenue the President wants to help meet the rising costs of the war program.

Neither members of the Administration nor members of Congress are eager to bear the onus of increasing tax rates on individuals sharply--to become effective in a national election year--and an increasing number of Congressmen incline to the belief that it may be late next spring before any sort of legislation can be enacted. Whatever measure comes forth, they believe, will be geared to impose only a very small additional extra burden on the lower income groups.

Parley Slated Soon

A further meeting of the President and his advisers is planned to be held within the next few days, it was heard, at which time some of the definite details of the Federal revenue situation will be discussed.

Some members of the Ways and Means Committee, who declined use of their names, said they had learned today that the present plan is for Secretary Morgenthau to appear before the committee, when hearings are opened September 20 and offer a series of revenue possibilities without giving Administration approval or support to any of them.

THE WALL STREET JOURNAL

SEP 11 1943

Tax Program Delayed As Byrnes and Vinson Oppose Morgenthau

O.W.M., O.E.S. Say Their Responsibility for Home Front Includes Revenue Plans

FROM THE WALL STREET JOURNAL WASHINGTON BUSINESS
WASHINGTON—The Treasury's 1943 tax program (there is one) is not yet sold to President Roosevelt.

In fact, the Chief Executive has not even seen the proposals, although the House Ways and Means Committee is scheduled to start its tax work only nine days hence.

The main obstacle to White House clearance, it has been discovered, is the current inter-agency wrangle over tax jurisdiction.

The new taxes were brought to the White House conference Thursday by Secretary Morgenthau who—to his surprise—found no opportunity to lay them before the President and the other conferees.

The conference had previously been scheduled for the specific purpose of talking details of the new revenue-raising and inflation-checking plans worked out by Treasury experts.

However, the discussions at the meeting turned immediately to the jurisdictional disputes.

War Mobilization Director Byrnes and Economic Stabilization Director Vinson launched a discussion over the Treasury's responsibilities with regard to taxation in light of the executive order establishing the O.W.M. and O.E.S. as bosses of the home front. This discussion—which became heated—lasted a good hour and a half and the conference then adjourned with the new tax proposals still pending in the Secretary's briefcase.

Proposals Believed Unorthodox

The very nature of the new proposals, it is understood, is such that the Treasury hesitates to bring them into the light for exami-

nation by anyone else before they have been first studied and passed upon by the President. This has aggravated differences among officials over jurisdiction.

It is strongly indicated that the new proposals are unorthodox, as taxes usually go, in that they are supposed to block inflation as well as raise revenue. The proposals are knit together so closely that the Treasury sponsors feel they have to be adopted as a whole in order to be effective. Unless Mr. Roosevelt backs the proposals 100%, Treasury men fear the outlook for their adoption by Congress is not too good.

Secretary Morgenthau was fully prepared to spread the entire program which had been completed only a short while ago, before the White House assemblage. By doing so, he expected to get the Roosevelt stamp of approval on the proposals and also the concurrence of his associates, Mr. Byrnes and Mr. Vinson.

Instead, he listened while an effort was made by the O.E.S. and O.W.M. chiefs to get first responsibility for formulation of a tax program. It had been understood previously that the Treasury would be the single exception to the O.E.S. executive order placing all other agencies and departments under the thumb of Judge Vinson. The order itself doesn't say so. But it had been an inner-Administration understanding that that was the case.

Another Conference Soon

As of this moment, it appears, the Treasury head retains his status as top man on taxes and is outside the jurisdiction of O.E.S. and O.W.M.

High authorities yesterday insisted that the question of forced savings was not taken up at the Thursday meeting. However, the fundamental issue between Secretary Morgenthau and the other officials named has been over forced savings with the Treasury firmly opposing any recommendation to Congress.

President Roosevelt must call another tax conference very soon to examine the Treasury's proposal because of the nearness of the opening date for tax considerations on Capitol Hill.

If he supports the recommendations, which are designed to raise \$12 billion on an annual basis, they may yet be presented to Congress on schedule in about two weeks. If he should disagree with any of the main features, it may become necessary to ask the Ways and Means Committee to postpone the date for the Administration's appearance in order to give the Treasury the time necessary to make revisions.

THE WHITE HOUSE

Washington

September 14, 1943.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

I really think this ought to be followed up.
Can't you get the Secret Service to try to trace the
source of information which Mike Flynn used?

F.D.R.

Office of War Mobilization
Washington, D.C.

September 13, 1943.

James F. Byrnes, Director.

Dear Mr. President:

Last Thursday afternoon Grace telephoned me substantially as follows: "The President asked me to say that on the ticker there appeared a story indicating there was a leak by someone as to what occurred at the conference this morning and that the character of the story indicated that it had not come from Mr. Morgenthau."

I was greatly disturbed. If the story did not come from the Treasury, then it could have come only from me or from Vinson or Rosenman or some person with whom we talked. A little later I told you that I had been busy all afternoon and had not seen the ticker or any afternoon newspaper, but that certainly the story did not come from me or my office. You then wondered whether it could have come from Fred's office and so did I. I determined to investigate.

Vinson assured me he had not discussed the conference even with the assistants in his office. No one in my office had discussed the matter with any person or was in position to do so. No afternoon newspaper carried the story. The only ticker service I see,--the U.P.--carried no story. The Friday morning newspapers carried no story except the statement that a conference had been held.

However, I learned Friday that on Thursday afternoon the A.P. ticker service had carried a story about the conference. I have never been able to find it but I learned definitely that the story on the ticker was written by Mike Flynn of the Wall Street Journal. Vinson advises me he had not spoken to Flynn about the conference. I have not talked to Flynn in six months. No one in my office had talked to Flynn. Flynn did not publish in Friday's issue of the Wall Street Journal any story of a controversy but on Saturday there was published in his newspaper an article written by him, the man who placed the story on the ticker. That article is attached. If Flynn was guessing when he wrote the article, he is a good guesser. The article shows that if he talked with anyone who attended the conference, it was not Rosenman, Vinson or Byrnes.

Sincerely yours,

James F. Byrnes

The President
White House.

Office of Economic Stabilization
Washington, D.C.

September 13, 1943.

Fred M. Vinson
Director.

Dear Mr. President:

I dislike to bother you.

However, I feel that I must state to you that I am not in any way responsible for the story on the ticker following your tax conference on Thursday, September 9th; nor responsible in any way for the subsequent story appearing in the Wall Street Journal on Saturday, September 11th.

A reading of the Wall Street Journal story should make it quite clear that it did not emanate from me. I have had no communication with any newspaper man, including Mr. Flynn of the Wall Street Journal who, I understand, is the author of the stories, relative to the tax conference in your office. Further, I wish to emphasize that I purposely refrained from discussing with anyone, even my own staff, any part of the tax conference referred to in these stories.

Respectfully,

Fred M. Vinson,
Director.

The President

The White House

September 15, 1943
11:18 a.m.

Operator: Go ahead.

HMJr: Hello.

Wm. T.
Sexton: Mr. Secretary.

HMJr: Go ahead.

S: You know the matter that I talked to - you mentioned this morning about Fairbanks?

HMJr: Yeah.

S: I have talked to General Handy who is the head of our Operations Division....

HMJr: Yes.

S:on the thing and he has a - he does not have this G-2 reaction to things....

HMJr: Yeah.

S:and his slant on it is this - that although there would be no objections from the standpoint of security....

HMJr: Yeah.

S:to you making a broadcast up there, he is a bit fearful that it might not be agreeable to the Russians. The thing of it is that they - you see the Japanese undoubtedly know that we're sending planes over....

HMJr: Yeah.

S:that way, but if it was publicly announced....

HMJr: Yeah.

S:that they were coming, it might goad the Japanese into doing something about it.

HMJr: I see.

S: And their relations - the relations between the Russians and the Japanese are very touchy....

HMJr: Yeah.

S:anyway....

HMJr: Yeah.

S:and they have been very hesitant at this time -- particularly with their involvements on the other side....

HMJr: Yeah.

S:to do anything that will agitate them.

HMJr: Yeah.

S: Now that was his reaction....

HMJr: Yeah.

S:to the thing.

HMJr: Yeah. Well, I - I - I'm not going to push it.

S: Yes, sir.

HMJr: But that wouldn't -- if Stalin wanted to give me a message, I could do it from Washington here just as....

S: You can do it fine from here and, of course, another slant on that is that, of course, a much greater proportion of our stuff to Russia goes from Abadan.

HMJr: Where?

S: From Abadan.

HMJr: Where's that?

S: In the - in through Iran and Persia.

HMJr: Oh.

S: Goes up that way.

HMJr: I see.

S: And that's kind of - it might be leaving them out a little bit but that isn't a major consideration, but I believe this other one is.

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HMJr: Well, supposing I say this -- put it this way to Gromyko, "On second thought I find I can't make the trip. I haven't got the time."

G: Yes, sir.

HMJr: How's that?

G: Yes, sir. That would be fine.

HMJr: And that - but if they - if I can get the statement, why maybe I could use it here in Washington.

G: Yes, that would be fine. I think it would serve your purpose just about as well here.

HMJr: Well, I'm amenable.

G: All right, sir.

HMJr: And so you can cross that one off your books.

G: All right, Mr. Secretary. I think it will probably work out in the long run better if you do it that way.

HMJr: Well, I'll take your advice.

G: All right, sir. Thank you very much.

HMJr: Thank you.

G: Good bye.

September 15, 1943
11:22 a.m.

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HMJr: Hello.

Andrei
Gromyko: Good morning, Mr. Secretary.

HMJr: How are you?

G: Thank you very much. I am all right. How are you?

HMJr: I'm fine. Mr. Ambassador, I've been looking over
the route....

G: Uh huh.

HMJr:from here to Fairbanks, Alaska....

G: Uh huh.

HMJr:and my pilot has been discouraging me from
doing it because he said I may get weatherbound
up there.

G: Uh huh.

HMJr: I might have to stay there a week or ten days.

G: Uh huh.

HMJr: Now....

G: In Fairbanks?

HMJr: Fairbanks, yes. So, I think that I'd better not
plan to go to Fairbanks but if Marshal Stalin
should decide to give me a statement....

G: Uh huh.

HMJr:that we could use it here in Washington.

G: Uh huh.

HMJr: You see?

G: It would be detailed by somebody?

HMJr: Somebody that....

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G: Of the officials of the present Commission?

HMJr: Yes, I suppose that maybe the head - he's a General in the Air Corps, isn't he?

G: Yes, that is - that is head of the Commission.

HMJr: General....

G: General Belyaev.

HMJr: Yes. He could do it.

G: Uh huh.

HMJr: Of course, you haven't heard yet, I take it?

G: Uh huh. I see.

HMJr: I say, you haven't heard from....

G: No, I did not hear - did not receive word.

HMJr: Well, I wanted to let you know as soon as possible so that they might not be starting somebody from Moscow to Fairbanks.

G: Uh huh.

HMJr: But they've discouraged me from going to Fairbanks.

G: I see. Because of the weather?

HMJr: On account of the weather.

G: Uh huh.

HMJr: I might be stuck there for a week or ten days.

G: Uh huh. I see. Mr. Secretary, as I told you, I sent another cable....

HMJr: Yes.

G:after our conversation over the telephone.

HMJr: Yes.

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G: And as soon as I receive word I shall inform you.

HMJr: Yes.

G: It does not change the situation. If this proposal is accepted, you will give word not from Fairbanks but from Washington.

HMJr: Yes, I think so.

G: Of course.

HMJr: But I wanted to let you know as soon as possible. Of course if Marshal Stalin gives us a statement, that will be wonderful. It will be very helpful.

G: Uh huh. I think, as I told you, that your idea, I think, is very sound.

HMJr: Yes.

G: But, of course, I....

HMJr: You don't know.

G: And I shall be glad to send a telegram....

HMJr: Yes.

G: But today I can not, of course, assure you.

HMJr: Well, thank you for what you've done.

G: Thank you, Mr. Secretary.

HMJr: Good bye.

September 15, 1943
11:46 a.m.

HMJr: How are things going?

Ted
Gamble: Very good.

HMJr: Good.

G: I'll give you a little story which I think is very interesting.

HMJr: Yeah.

G: I was out in Pittsburgh last night, as you know....

HMJr: Yeah.

G:and the Federal Reserve Bank has reported for that area \$22,141,900....

HMJr: How much?

G: \$22,141,970.

HMJr: Yeah.

G: That's the Federal Reserve figures through the 11th.

HMJr: Yeah.

G: They have reported....

HMJr: Who are they?

G: Pittsburgh themselves.

HMJr: Yeah.

G: \$54,000,000.

HMJr: Uh huh.

G: Against the Fed's \$22,000,000. And they gave me a list of \$89,000,000. of orders that they have....

HMJr: Wonderful.

G:paid - these were orders, not pledges.

HMJr: Yeah.

G: So they have a total of \$140,000,000. in the bag and only \$22,000,000. has come through.

HMJr: That's wonderful.

G: So - I mean it gives you an idea what's going on in the field.

HMJr: That's wonderful.

G: And they've made - they've reached four-fifths of their quota.

HMJr: Four-fifths?

G: Yes, sir.

HMJr: Good heavens.

G: So I think that's - I - I - I feel sure that while the four-fifths is not typical, that there is a big lag which you will start seeing tonight.

HMJr: Yeah.

G: And I think by tomorrow night, when you make your speech in St. Louis - or Friday night - that we can report to you that we're pretty close to the half-way mark.

HMJr: Have you heard about my speech for tonight?

G: I not only have heard about it - I had it read to me over the phone a few minutes ago....

HMJr: Yeah.

G:and I liked it so well that we are calling the New York papers - I'm calling them myself....

HMJr: Yeah.

G:to tell them what I think they ought to do with it tomorrow morning.

HMJr: Yeah.

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G: I think it's the best speech anybody has made about the war.

HMJr: Well, that's what Harry White said. He said it's the best - he said the best bond speech that's been made.

G: Well, it's the best war speech and the best bond speech that anybody has made.

HMJr: Yeah.

G: And if they don't give it front page in the New York papers, they're crazy.

HMJr: Yeah. Okay.

G: Because it's got real news in it.

HMJr: Yeah.

G: It's got a real punch to it.

HMJr: I didn't....

G: I made just one suggestion and they changed it.

HMJr: Yeah. This happens to be my own idea.

G: I know it does - that doesn't make it any less good.

HMJr: Okay. I understand I'm seeing you tonight. Smith said you're going to be on hand.

G: Yes, sir.

HMJr: We'll meet here in my office about nine o'clock.

G: Fine.

HMJr: Good.

G: All right, sir.

HMJr: Thank you.

G: Bye.

September 15, 1943
11:52 a.m.

HMJr: Hello, Judge.

Guy T.
Helvering: (Laughs)

HMJr: This is Morgenthau. How are you, Judge?

H: Well, I'm feeling pretty good.

HMJr: I called you up to congratulate you.

H: Well, thank you very much.

HMJr: I hope you're not going to leave us too soon.

H: Well, there are several things here I want to get cleaned up.

HMJr: Yeah.

H: And I'm working on them as fast as I can....

HMJr: Well, don't rush them too fast.

H:in conformity with what attention they need.

HMJr: Yeah. Tell me - uh - could you come over tomorrow about 11:30?

H: I'd be glad to, yes.

HMJr: And then, I'd like to talk to you and get some ideas who you think could succeed you if anybody.

H: Yes. Well, I'll be glad to come over and see you.

HMJr: Supposing you do that. 11:30 tomorrow.

H: All right.

HMJr: Thank you.

H: You bet.

September 15, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

A conference with the President on tax policy and procedure was held at the White House this afternoon, beginning at about 2:20 and lasting until 3:30. Those present in addition to the President were Senator George and Congressman Doughton, Chairmen respectively of the Senate Finance and House Ways and Means Committees; Secretary Morgenthau; Messrs. Byrnes, Vinson, Rosenman, Paul and Gaston.

The President had just been seeing a group of farm leaders. He explained that he had outlined to them a plan which would have the effect of putting a floor under farm prices through purchases and sales by the Commodity Credit Corporation but would not have the objectionable feature of being tagged with the bad word "subsidy." There was good prospect that the food legislative program might be enacted without stirring up the hostility of the farm bloc. The President hoped that we could get through the tax legislation likewise in an amicable way.

Secretary Morgenthau had handed the President an outline of a tax program, pursuant to Monday's discussions. With his memory refreshed by this outline the President went over the discussions of Tuesday stating that without going into details on specific rates there had been general agreement on a program of excise taxes to raise 2.5 billions, increases in estate and gift taxes to raise .4 billions, corporate income and excess profits taxes to raise 1.1 billions.

Coming to Item 4 on the program the President explained that three alternative ways to raise 6½ to 8 billions had been discussed and he listed the three, reading

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from the outline as follows:

"Increase surtax rates, lower exemptions, moderately (perhaps to \$1,100 for married couples and \$300 for dependents, retaining the present \$500 for single persons), eliminate earned income credit, repeal the Victory Tax. Coordinate the rate increases with one of the following alternative proposals:

- (1) Postwar credit or "graduated" refundable tax, the refundable portion being concentrated primarily in the lower brackets, with an upper refundable limit of \$500 and total refundable amount from \$3.5 to \$4.5 billion.
- (2) Similar postwar refund in optional form as (a) cash of somewhat less amount than the tax, or (b) paid up insurance purchasable by 100% of the tax.
- (3) Increase in social security contributions along the lines of the Wagner Bill, with some modification."

Both Doughton and George, with some prompting by Byrnes and Vinson, expressed opposition to the idea of submitting any proposal which involved the higher payroll taxes of the Wagner Bill. They agreed with Byrnes and Vinson that it would be impossible to get such a program through the committees and that it would engender a bitter fight. Turning to the post-war rebate, or forced lending plan, Doughton wanted to know how you could expect to get more out of the taxpayer with the expectation of a post-war rebate than you could expect to get out of him by straight taxation. He said the post-war rebate would not help him now and if you are drawing the last ounce of blood through taxation he couldn't see how it was possible to draw any more even if the man was to get something back in the future. Byrnes argued that levies would not be too heavy in any case and that they would be borne with better grace by the taxpayer if he had something coming back to him.

A

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The discussion turned to the rates involved and after Byrnes and Vinson had attempted to cite instances in the lower brackets from their own memoranda Byrnes invited Paul to read some sample burdens, which he did from the 6½ billion schedule involving exemptions of \$1100 for married persons and \$300 for dependents and involving elimination of the earned income credit and repeal of the Victory Tax. George made an argument against elimination of the Victory Tax recalling that it raised from \$400 to \$500 millions below the level of the income tax exemptions. Paul pointed out that the revised exemptions and rates would absorb this differential. No objection was voiced to elimination of the earned income credit but Vinson wanted to know why his plan for transforming the exemptions into flat tax credits had not been incorporated into the plan. There was some side argument between him and Paul on that subject. Paul said that additional complications would be introduced by making this change which he would like to talk to Vinson about. Vinson was not convinced.

The President told George and Doughton that starting the Ways and Means Committee tax hearings next Monday as scheduled might interfere with the Third War Loan drive and asked how the two Chairmen would feel about postponement until around about the first of October. Doughton demurred rather strongly in view of the fact that the members of the Committee had come back expecting to take up hearings for a tax bill on the 20th. He thought it would be difficult to convince the members of the Committee, especially Republicans, that the hearings should be put off again. The President suggested that in the meantime the Treasury staff should work with Stamm of the Joint Committee and probably come to some agreements that would be helpful to the Committee. Doughton said that if anybody could get the Treasury staff and the Joint Committee staff to work together satisfactorily it was more than he could do, that he had made many attempts to do that without any success and he had given it up as a bad job. He said one or the other was always complaining that the other fellow held out on him. He wasn't able to say who was to blame, but the fact was he couldn't get them together. Doughton finally said that he would do his best to get the Committee to delay the hearings, but he would have to have some help. If the Treasury was willing to take the re-

WJ

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sponsibility maybe it could be done. Paul said he didn't think he ought to be asked to carry the whole burden but was willing to join with Stamm in a plea for delay on the ground that new matters had come up on which they had to get together. The Ways and Means Committee was to meet in executive session this evening and it was finally agreed that an attempt would be made to get Stamm to agree to a joint statement by him and Paul asking for a further delay. Doughton said that in the meantime he would talk to some of the members of the Committee and would tell them confidentially the real reason, but it was agreed that no announcement would be made that the War Loan drive was the cause for the delay as that would be just as damaging to the drive as to go ahead with the hearings. Doughton said he didn't want the hearings to develop into a line-up on a partisan basis as he was afraid that if that happened there never would be a satisfactory bill. He suggested that in advance of the hearings Secretary Morgenthau get leading members of the Committee, both Democrats and Republicans, together to talk over the situation.

Senator George thought it ought to be possible to boil the income tax alternatives down into one which would be the post-war refund plan, with or without the optional insurance. The President expressed no opinion on this nor did he say that the integration of increased payroll taxes with the income tax was to be dropped as one of the alternatives. He had previously said that he thought the medical provisions of the Wagner Bill ought to be dropped as too controversial, and Mr. Paul had pointed out that if this were done it would make a substantial difference in the rate of payroll tax, possibly as much as 2 per cent.

The meeting adjourned without any final decisions as to the program beyond those reached at the meeting of the day before when the Committee leaders were not present. The only definite decisions reached were to attempt to postpone the hearings and to continue efforts for agreement between the Treasury and the Hill.

WJH

Sept 15, 1943 - White House - 2.00 P.M.

Tax Program With Alternatives

Additional yield in billions of dollars

- 1. Excise tax increases 2.5
- 2. Estate and gift taxes
 - Increase estate tax rates, reduce specific exemption from \$60,000 to \$40,000, and increase gift tax rates to three-fourths the new and higher estate tax rates4
- 3. Corporate income and excess profits taxes
 - Increase combined normal and surtax rate by 10 percentage points from present 40% to 50%. 1.1
- 4. Individual income tax and coordinated alternatives 6.5 to 8.0

Increase surtax rates, lower exemptions, moderately (perhaps to \$1,100 for married couples and \$300 for dependents, retaining the present \$500 for single persons), eliminate earned income credit, repeal the Victory tax. Coordinate the rate increases with one of the following alternative proposals:

- (1) Postwar credit or "graduated" refundable tax, the refundable portion being concentrated primarily in the lower brackets, with an upper refundable limit of \$500 and total refundable amount from \$3.5 to \$4.5 billion.
- (2) Similar postwar refund in optional form as (a) cash of somewhat less amount than the tax, or (b) paid up insurance purchasable by 100% of the tax.
- (3) Increase in social security contributions along the lines of the Wagner Bill, with some modification.

Total increase in gross collections 10.5 to 12.0

9/15/43-

W. Hoff

To the Chairman and members of the Ways and Means
Committee of the House of Representatives

Several weeks ago after preliminary discussions with the Chairman and members of this Committee and with the Chairman of the Senate Finance Committee concerning the Revenue Bill of 1943, it was tentatively agreed that the Treasury would submit its suggestions for tax legislation to this Committee at the conclusion of the hearings now being conducted by the Committee on the subject of renegotiation. At the time this arrangement was made, it seemed feasible in view of the continuous joint work of the staff of the Treasury and the staff of the Joint Committee on Internal Revenue Taxation.

Recent conferences with other agencies interested in the tax program and several recent conferences with the President, the latest of which was held this afternoon, and was attended by the Chairman of this Committee and the Chairman of the Senate Finance Committee, developed a number of suggestions requiring further analysis and exploration by the two staffs. It is therefore suggested that the time of this Committee will be saved and the enactment of the

2.

tax bill expedited if the commencement of formal hearings on the bill be postponed in order to give full opportunity to the two staffs to study and to do justice to all the suggestions which have been recently made.

In view of this situation, we therefore join in a request that the Committee defer the opening date of hearings until October 4, 1943.

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SECRETARY'S SPEECH AT "BACK THE ATTACK" SHOW

158
Handwritten copy

9/15/43.

LADIES AND GENTLEMEN:

I am speaking to you from the Army Show in Washington. I wish every man and woman in America could see the weapons that are on display here. They illustrate a bitter lesson. Let me take you through this show. Let me give you some facts. I got them from General Marshall, and General Marshall says I may share them with you.

From where I am standing I can see a 155 millimeter howitzer. In one month, in Sicily, we lost 13 per cent of all the 155 millimeter howitzers we landed.

Near this howitzer I see some 57 millimeter guns. In Sicily we lost 46 per cent of all the 57 millimeter guns we put into action there.

1089
131
958

- 2 -

I'm not talking about Italy. I'm talking about Sicily. In Sicily we met only a small fraction of the opposition we are getting from the Germans, now, in Italy. Sicily was merely an outpost of the fortress of Europe, very lightly defended.

Listen to what it cost us.

We lost 36 per cent of the motor carriages for our 75 millimeter guns. We lost 22 per cent of the carriages for our 105 millimeter howitzers. We lost 54 per cent of the carriages for our 37 millimeter guns! All this in a minor campaign that lasted one month! We lost 7 per cent of our light tanks, 8 per cent of our medium tanks. We lost nearly 13 per cent of our 37 millimeter guns.

958
132
826

- 3 -

~~I~~ I say nothing of killed and wounded. // I say nothing of the vast quantity of secondary materials used -- things like 1100 miles of copper telephone wire. I speak now only of weapons and combat vehicles destroyed by the enemy or otherwise put out of service -- weapons and combat vehicles which must be replaced at once -- and ten times over! -- if we are to have a chance against the Germans in Italy, where we are evenly matched for the first time in this war.

Nearly half of the 57 millimeter guns we used in Sicily are gone forever. Are you listening, you workmen at Yoder Manufacturing? You made those guns.

Your Bond quota is \$175,000.

Will you top it?

896
121
705

- 4 -

More than a third of the 75 millimeter motor
 carriages we sent into Sicily are lost. Are you
 listening, you workmen at Cadillac? You made
 those carriages! Your Bond Quota is \$100 for every man.
 Will you make that, too?

We lost 8 per cent of our medium tanks. They
 were manufactured by Lima Locomotive, Pullman
Standard, Pressed Steel Car, Baldwin and American
Locomotive. How about you men there -- you ~~men~~
and women
 in management, you ~~men~~ in the plant? How about your
 Bond Quotas? Will you top them?

We don't like war. Who does? Except the Germans
 and the Japanese! But, because we don't like war, too
 many of us behave foolishly.

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 102
 597

- 5 -

At the slightest excuse, we throw our hats into the air and yell "Three cheers for our side". Given the slightest encouragement, we decide that the War is over.

When we were cleaning the Germans out of North Africa, we were as proud as though the war were already won. $\frac{1}{2}$ The fact is that the British did as much as we did, if not more. And at the most, in North Africa, the United Nations Forces engaged no more than 15 German Divisions. The Russians are fighting more than 200 divisions.

When we beat the Germans in Sicily, we cheered again. The war was practically over, again.

Well -- Sicily was only an outpost held by two or three German divisions.

597
118
479

- 6 -

The Italians hardly fought back. Yet, again, with British help, it took us a full month to conquer Sicily. And, as I say, in certain types of equipment we lost half of the weapons we put into the battle.

A week ago, Italy surrendered. We did the same thing all over again. The war was won. We could stop drafting soldiers. We could stop producing weapons. We could reduce taxes. Everybody could sit back and take it easy.

Well, you've seen the newspapers today. We are holding, around Naples, but we are just barely holding, with tremendous loss of life. In a hard week of fighting we have managed to gain only a small foothold in Italy.

1779
167
372

- 7 -

Today the situation is critical. In any event, we still have to drive north about 500 miles, with the Germans fighting every inch of the way. At the very least, it will take months. And, months from now, this winter or next spring, when and if we conquer the whole of Italy, we will still be nowhere near Germany. We will still have a long way to go.

Let us stop this foolish, childish, over-optimism and over-confidence. It is criminal. ^{3/4} It is criminal because, every time we decide the War is won, we sign a death warrant for another thousand, or two thousand, or five thousand American soldiers and sailors.

372
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257

- 8 -

Let management spend less time telling the public what a magnificent job it is doing -- which everybody knows -- and more time doing the job.

Let labor think less about the fun it's going to have on Saturday night, and think more about ways to increase production and buy more Bonds.

This is the beginning of the War, as far as the United States is concerned -- this attack we are launching in Italy. These next few weeks and months will bring losses of life and material that will shock and stagger us.

Let us make up our minds now that this Third War Loan will not be the last. There will be a Fourth War Loan, and a Fifth and a Sixth.

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131
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- 9 -

At this Army Show in Washington, clustered around me, are the gigantic weapons of modern, mechanized War. They look very efficient, even attractive, in their neat, field-drab paint. But let's not forget for one moment that these weapons are for the purpose of killing Germans and Japanese.

We must kill them, or they will kill us.

We are fighting for our lives.

Any one who forgets that, any one who reduces his effort for a single minute, betrays the men who are fighting on the battle front.

The words "Back the Attack" are no mere slogan. They exactly describe what we must do, and do now, if we are to win this war.

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104
24

- 10 -

With every ounce of energy at our command, with the
utmost effort of which we are capable, we must
"Back the Attack," this month -- and next month --
and the month after.

Back - This - Attack!

21
34

SECRETARY MORGENTHAU'S ARMY SHOW ADDRESS

9/15/43 - 1st. #168

(5 Minutes -- The Pause that Refreshes)

Judges and lawyers have a joke that you may have heard. 'Circumstantial evidence can be very strong,' they say, '-- as when you find a trout in the milk.'

We laugh, ~~because~~ because it's funny. But this kind of circumstantial evidence in the international courtroom of the ~~nations~~ nations can be a bitter joke -- an ugly joke. ~~When~~ We know that Germany has planned war after war for at least a hundred years, ~~when~~ We know that Germany planned this one ~~since~~ ^{as far back as} the early 1930's, building up ^{hidden} ~~secret~~ stores of ammunition and planes, and all the rest of it. That's ^{our} a trout in the milk. When fastidious people shudder because we're bombing German cities, ~~or, as they put it, bombing 'innocent women and children'~~ let them remember, ~~that~~. Germany started this war. Germany bombed innocent women and children in Guernica, in Coventry, in Hamburg. ~~And~~ ^{What} is more, Germany did it in just ^{as} horrible and frightful a ~~way~~ ^{way} as the the diseased, ~~and~~ perverted imagination of Hermann Goerring, a drug addict, could ~~think of~~ ^{devised}.

Let me go back to courtrooms for a moment.

~~What we have heard here tonight reaffirms something that we have known for some time, now; something that is no longer news. In dealing with the German Reich we are dealing with a vicious criminal in our family of nations.~~

When a criminal is beyond hope of reform - irrevocably vicious and hardened, so that we cannot reclaim him, so that he regards any attempt at kindness ^{on our part} as weakness - then we punish him. It is the only choice he leaves us.

~~So~~ ^{If} Germany is such an international criminal

The bombs with which we are levelling one German city after another are ^{only} a taste of the Nazis' own medicine - the weapon with which they were so gleefully certain they could destroy us before we could strike back. Our bombs are punishment.

~~If~~ Our invasion, which will ultimately carry us ~~crashing across her borders~~ into Germany ~~herself~~ - ~~that will be punishment too.~~ That is just what we ^{want} it to be. We want to make it painfully clear, we want to pound ~~the idea~~ ^{it} through the thickest skull in Germany, that the world will no longer put up with ^{any} barbaric ^{unbreath} ~~bloody~~ German idea that "war is good." ^{> all war-mongers} We want to show ~~the Germans, as we are show-~~ ~~ing the Italians and as we will most assuredly prove to the~~ ~~Japanese~~ that this is what happens to people who start wars.

~~They~~ They get punished! They take punishment that hurts; ^{hurts} not ~~only~~ ^{only} the guilty leaders, but every citizen ~~who accepts~~ such leadership!

apathetic and timid enough to put up with

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~~There are people who say hopelessly that we will always have wars. That is one way to insure that we will always have them - just keep apathetically mumbling nonsense about how impossible it is to change human nature, how men will always fight because fighting is the law of the jungle.~~

~~We aren't living in the jungle. Men make wars. Men can end them.~~

Today the human race stands a better chance of putting an end to war than ever before in its history - because today not just a few, but millions of human beings realize that wars are unnecessary. Whole nations are resolved to do away with bloodshed once and for all.

~~If for no other reason, we must end war because war has become too costly. We could supply a fine house, luxurious food and an automobile to every man, woman and youngster in the United States for only a fraction of the (0000) dollars a year this war is costing us.~~

The quickest way to end this war ~~fast~~ is to land a smashing, knockout blow on Germany's jaw. When a prizefighter in the ring has his opponent staggering he doesn't play with him. It would be unnecessarily cruel. ^{It} would be dangerous, and it would be ~~to look at it another way - poor economy.~~ So he knocks him out.

the sooner the better.
We want to knock out Germany - and as soon as we can -

~~It will save the lives of tens of thousands of American boys - and, yes, the lives of German boys too. We are not playing. We don't want to win a battle here and lose a battle there. When we at last work our way to the German~~

~~borders we intend to roll over the Reich like a steam roller. And if, when that time comes, there is not a German plane left in the air, not a German field-gun firing, so much the better. Fewer of our boys will get hurt.~~

~~This is what we're after - the knockout. And the harder, the faster we strike, the more strength we shall have left for a knockout for Japan. That will be a pleasure!~~

~~One pulverizing blow that will bring Germany to unconditional surrender is the quickest way to end this war.~~

And such a blow will help us ~~to~~ put an end to all war. ~~I don't think that is far-fetched. I don't think it is wishful thinking.~~ *Set me explain:*

Wars are started because some nation, or some group within a nation, believes it will get something by winning.

Never did a nation begin a war with a better chance of winning than Germany, ~~in this case,~~ ^{did.} Not a single country, not even Russia, had an army or an air force ^{with mentioning,} ~~of comparable~~ size. Our own army, ~~you may recall,~~ was practising mortar fire with dummy guns made of ~~lengths of~~ stove-pipe. ~~Conditions were nearly perfect.~~ The gallant German army of heroes leapt ^{manfully} ~~bravely~~ on the back of one small, helpless country after another, machine-gunning the women and children with ~~the~~ ^{real} German efficiency. ~~Then they tackled the larger countries one at a time - first France, then England, finally Russia.~~ *And how far did they get? We have stopped them cold! They're retreating and that is as far as they got.*

If the United Nations can smash Germany ~~into bits,~~ ^{utterly, now} ~~now~~ - and we ~~can~~ ^{can} and will! - the lesson will be plain to any ^{Country} ~~other nation~~ which at any time in ^{what} ~~the~~ future may play with the

delicious notion of conquering the world.

The lesson is that, ~~even under ideal conditions~~, it just can't be done! In Alexander's time, in Napoleon's time, maybe it could have been, ~~done~~. ^{But not today.} ~~Not any longer.~~ Too

many nations have enjoyed a ~~taste of~~ democracy, in our time.

~~They will die to the last man rather than be conquered and~~ ^{thrown} ~~return to slavery.~~ ^{into} Against any aggressor, from now on, there will stand the United Nations.

That gives us our second reason for winning this war as quickly as we can. We want to end all wars!

The Bonds we buy in this Third War Loan will ^{help to} buy for victory. It is as simple as that. ~~We must win a victory.~~ ~~We must pay for it.~~ ^{And, if} the more Bonds we buy, the sooner ^{we will have} victory, ~~will come.~~ ~~Bonds back the attack.~~

That's why I ask you to buy still another Bond tomorrow — that Bond you thought you couldn't afford — to "Back the Attack."

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~~SECRETARY MORGENTHAU'S ARMY SHOW ADDRESS~~
~~(Five minutes -- The Pause That Refreshes)~~

3rd draft
173

Judges and lawyers have a joke that you may have heard. 'Circumstantial evidence can be very strong,' they say, '--as when you find a trout in the milk'.

We laugh, because it's funny. But this kind of circumstantial evidence in the international courtroom of the nations can be a bitter joke -- an ugly joke!

We know that Germany has planned war after war, for at least a hundred years. We know that Germany planned this one as far back as the early 1930's, building up hidden stores of ammunition and planes. That's our trout in the milk. When fastidious people shudder because we're bombing German cities, let them remember -- Germany started this war. Germany bombed innocent women and children in Guernica, in Coventry, in Hamburg. What is more, Germany did it in just as horrible and frightful a way as the diseased, perverted imagination of Herman Goerring, a drug addict, could devise.

Let me go back to courtrooms for a moment.

When a criminal is beyond hope of reform - irrevocably vicious and hardened, so that we cannot reclaim him, so that he regards any attempt at kindness on our part as weakness - then we punish him. It is the only choice he leaves us.

Germany is such an international criminal.

9 The bombs with which we are levelling one German city after another are only a taste of the Nazis' own medicine - the weapon with which they were so gleefully certain they

could destroy us before we could strike back. Our bombs are punishment.

~~Our invasion, which will ultimately carry us into Germany will be punishment too. That is just what we want it to be. We want to make it painfully clear, we want to pound it through the thickest skull in Germany, that the world will no longer put up with any barbaric, imbecile German idea that "War is good."~~

We want to show all war-mongers that this is what happens to people who start wars.

They get punished! They take punishment that hurts; hurts not only the guilty leaders, but every citizen apathetic and timid enough to put up with their leadership!

Today the human race stands a better chance of putting an end to war than ever before in its history - because today not just a few, but millions of human beings realize that wars are unnecessary. Whole nations are resolved to do away with bloodshed once and for all.

The quickest way to end this war is to land a smashing, knockout blow on Germany's jaw. When a prizefighter in the ring has his opponent staggering, he doesn't play with him. It would be unnecessarily cruel. It would be dangerous. So he knocks him out.

We want to knock out Germany - the sooner the better.

And such a blow will help us put an end to all war.

Let me explain:

Wars are started because some nation, or some group within a nation, believes it will get something by winning.

Never did a nation begin a war with a better chance of winning than Germany did. Not a single country, not even Russia, had an army or an air force worth mentioning. Our own army was practising mortar fire with dummy guns made of stove-pipe. The gallant Germany army of heroes leapt manfully on the back of one small, helpless country after another, machine-gunning the women and children with real German efficiency. And how far did they get?

We have stopped them cold! They're retreating!

If the United Nations can smash Germany utterly now - and we will! - the lesson will be plain to any other country in the future which may play with the delicious notion of conquering the world.

The lesson is that it just can't be done! In Alexander's time, in Napoleon's time, maybe it could have been. But not today. Too many nations have enjoyed democracy, in our time. Too many free nations will die to the last man rather than be conquered and thrown into slavery. Against any aggressor, from now on, there will stand the United Nations.

That gives us our second reason for winning this war as quickly as we can. We want to end all wars!

The Bonds we buy in this Third War Loan will help to buy for Victory. It is as simple as that, and the more Bonds we buy, the sooner will we have Victory.

That's why I ask you to buy still another Bond tomorrow - that Bond you thought you couldn't afford - to "Back the Attack."

ARMY SHOW ADDRESS

Ladies and Gentlemen, I am speaking to you from the Army Show
 in Washington. I wish every man and woman in America could see ~~the show~~ *that I am presenting to you.*
~~It is a good background for a bitter lesson.~~ *They illustrate a*
 Let me take you by the hand ~~and~~ *say I may* through this show. Let me ~~take you through~~
 facts ~~of the things~~ which General Marshall ~~has~~ *has agreed to* share with
 you.

~~ARMY SHOW ADDRESS~~

~~Ladies and Gentlemen:~~

~~I am talking to you from the Army Show in Washington. More than half a million people have seen this show. I wish all of you could. ~~xxxxxxxxxxxx~~ it points a bitter lesson. Let me take you by the ~~xxxx~~ hand and help you to visit the show by radio.~~

From where I am standing I can see a 155 millimeter howitzer. ^{see a} ~~We~~ ^{In one} month in Sicily, we ~~lost~~ ^{all the} 13 per cent of ~~six~~ ^{we landed.} 155 millimeter howitzers ~~in the~~ the Sicilian campaign.

Near ~~the~~ ^{I see} howitzer ~~we~~ ^{all the} some 57 millimeter guns. In Sicily we lost 46 per cent of ~~our~~ 57 millimeter guns, ^{we put into action there}

~~xxxxxxxxxxxx~~ ^I I'm not talking about Italy. ~~xxxx~~ ^{In Sicily we met} I'm talking about Sicily. ~~xxxxxxxxxxxxxxxxxxxxxxxx~~ ^{small} We ~~lost~~ only a fraction of the opposition we are getting from the Germans, now, in Italy. Sicily was merely an outpost of the fortress of Europe, ~~xxxx~~ ^{very} lightly defended. ~~xxxxxxx~~ ^{listen} ~~xxxx~~ to what it cost us!

We lost 36 per cent of ~~our~~ ^{the} motor carriages for our 75 millimeter guns. We lost 22 per cent of ~~our~~ ^{the} carriages for our 105 millimeter howitzers. We lost 54 per cent of the carriages for ^{our} 37 millimeter guns. All this in a minor campaign that lasted ~~over~~ one month! We lost ~~xxxx~~ ^{We lost} 7 per cent of our light tanks, 8 per cent of our medium tanks, nearly 13 per cent of our 37 millimeter guns.

~~My time is limited, so I say nothing of~~ ~~our~~ killed and wounded. I say nothing of the vast quantity of materials ~~we~~ ^{secondary} used -- things like 1100 ~~thousand~~ miles of copper telephone wire. I ~~xxxxxxxxxxxx~~ ^{now} speak only of weapons and combat vehicles destroyed by the enemy or otherwise ~~xxxx~~ ^{which} ~~put~~ ^{put} out of service, ^{which} weapons and combat vehicles ~~that~~ ^{which} must be replaced

3-

at once -- and ~~replaced~~ ten times over! -- if we are to have a chance against the Germans in Italy, where we are evenly matched *for the first time in this war.*

of Nearly half of the 57 millimeter guns we used in Sicily are ~~gone~~ gone forever. Are you listening, you workmen at () who manufacture ~~57 millimeters?~~ ^{them?} Do I need to tell you ~~that~~ you've got to increase your production and ~~make~~ buy more Bonds? Your Bond quota is (\$). Fill it!

~~Nearly~~ More than a third of the ~~more~~ 75 millimeter motor carriages ~~that~~ ^{we sent} into Sicily are lost. Are you listening, you workmen at ()? You make those ~~more~~ carriages. Will you make ~~more~~ ^{more of} *more of* them? Your Bond quota is (\$). Will you make that, too?

We lost ~~more~~ ⁷ per cent of our M5 light tanks. They're made by the () Company at (Town, State). How about you men and women at ()? Your quota is (\$). *Oversubscribe it!*

We lost 8 per cent of our medium tanks. They're ~~more~~ manufactured by the () Company at (Town, State.) How about you ^{men} fellows there -- you men in management, you men working ^{in the plant?} ~~with your hands?~~ Your Bond quota is (\$) ~~Can I count on you?~~ *Will you fill it?*

~~We Americans like to look at the bright side of things. We look at the pretty pictures of our weapons -- and it's always the enemy plane that goes down in flames. It's always the enemy big gun that is put out of action.~~ *has been criminally* Some of us ~~are~~ foolish enough to believe ~~that~~ *might* the war ~~will be over~~ ^{end} this year.

for us ~~Wait~~ It's time to wake up. Even in Sicily, we ~~have~~ lost ~~from~~ -- in certain types of equipment -- ~~more~~ half of ~~more~~ the weapons we put into action. ~~More~~ In Italy, against a German army that is a *real* match for ours, our losses both in men and equipment will be far heavier.

*Resign yourself*⁴

~~We may as well resign ourselves~~ ~~right~~ now to the fact that this Third War Loan isn't going to be the last. There's going to be a Fourth War Loan, ~~and~~ a Fifth War Loan, a *5. th War loan*.

We are just beginning to fight!

ARMY SHOW ADDRESS

Ladies and Gentlemen, I am speaking to you from the Army Show in Washington. I wish every man and woman in America could see these weapons. They illustrate a bitter lesson. Let me take you by the hand, through this show. Let me give you some facts which General Marshall says I may share with you.

From where I am standing I can see a 155 millimeter howitzer. In one month, in Sicily, we lost 13 per cent of all the 155 millimeter howitzers we landed.

Near this howitzer I see some 57 millimeter guns. In Sicily we lost 46 per cent of all the 57 millimeter guns we put into action there.

I'm not talking about Italy. I'm talking about Sicily. In Sicily we met only a small fraction of the opposition we are getting from the Germans, now, in Italy. Sicily was merely an outpost of the fortress of Europe, very lightly defended.

Listen to what it cost us.

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I say nothing of killed and wounded. I say nothing of the vast quantity of secondary materials used -- things like 1100 miles of copper telephone wire. I speak now only of weapons and combat vehicles destroyed by the enemy or otherwise put out of service -- weapons and combat vehicles which must be replaced at once -- and ten times over! -- if we are to have a chance against the Germans in Italy, where we are evenly matched for the first time in this war.

Nearly half of the 57 millimeter guns we used in Sicily are gone forever. Are you listening, you workmen at ~~_____~~ ^{Yoder Manufacturing, Bartlett + Hayward, Atria} who manufacture ~~them~~ ^{them!}? Do I need to tell you you've got to increase your production and buy more Bonds? ^{Will you top your} ~~Your~~ Bond quota? ~~_____~~ ^{standards and United Shoe Machinery? you}

~~_____~~ ^{Fill in} More than a third of the 75 millimeter motor carriages we sent ~~_____~~ ^{Cadillac White, Auburn and Packard} into Sicily are lost. Are you listening, you workmen at ~~_____~~ ^{Cadillac?} You make those carriages! Will you make more of them? ^{Your Bond} ~~Your~~ Bond quota is (\$ _____). ~~Your~~ Bond quota is (\$ _____). Will you make that, too?

We lost 7 ~~per cent~~ of our M5 light tanks. They're made by the (~~_____~~) Company at (~~town, state~~). How about you men and women at (~~_____~~)? ~~Your~~ quota is (\$ _____). ^{Your} Oversubscribe it!

We lost 8 per cent of our medium tanks. They're manufactured ^{Low-Motors, Pullman Standard, Pressed Steel Car, Baldwin} by the (~~_____~~) Company at (~~town, state~~). How about you men there -- you men in management, you men ~~working~~ ^{How about you} in the plant? ~~Your~~ Bond Quota is (\$ _____). Will you ~~fill in~~ ^{top} them? ^{Amman and Robertson}

We don't like war. Who does? Except the Germans and the Japanese! But, because we don't like war, too many of us behave foolishly.

At the slightest excuse, we throw our hats into the air and yell "three cheers for our side." Given the slightest encouragement, we decide that the War is over.

When we were cleaning the Germans out of North Africa, we were as proud as though the war were already won. The fact is that the British did as much as we did, if not more. And at the most, in North Africa, we engaged no more than 15 German Divisions. The Russians are fighting 300.

When we beat the Germans in Sicily, we cheered again. The war was practically over, again. Well -- Sicily was only ^{an} ~~a small~~ ^{outpost} ~~outpost of the fortress of Europe. It was held by~~ two or three German Divisions. The Italians hardly fought back. Yet, again, with British help, it took us a full month to conquer Sicily. And, as I say, in certain types of equipment we lost half of the weapons we put into the battle.

A week ago, Italy surrendered. We did the same thing all over again. The war was won. We could stop drafting soldiers. We could stop producing weapons. We could reduce taxes. Everybody could sit back and take it easy.

Well, you've seen the newspapers today. We are holding, around Naples, but we are just barely holding, with tremendous loss of life. In a hard week of fighting we have managed to gain only a small foothold in Southern Italy. We may lose it. If we don't lose it, we still have to drive North the full length of Italy,

with the Germans fighting every inch of the way. At the very least, it will take months. And, months from now, this winter or next spring, when and if we conquer the whole of Italy, we will still be nowhere near Germany. We will still have a long way to go.

Let us stop this foolish, childish, over-optimism and over-confidence. It is Criminal. It ~~is~~^{is} criminal because, every time we decide the War is won, we sign a death warrant for another thousand, ~~an~~ two thousand, or five thousand American soldiers and sailors.

Let management spend less time telling the public what a magnificent job it has done, and more time doing an adequate job.

Let labor ~~stop~~ ^{less} thinking about the fun it's going to have on Saturday nights, and ~~begin~~ thinking more about ways to increase production and buy more Bonds.

This is the beginning of the War, as far as the United States is concerned -- this attack we are launching in Italy. These next few weeks and months will bring losses of life and material that will shock and stagger us. ~~Let's be ready for them.~~

Let us resign ourselves now to the fact that this Third War Loan will not be the last. There will be a Fourth War Loan, and a Fifth and a Sixth -- and maybe a Ninth and a Tenth.

At this Army Show in Washington, clustered around me, are the gigantic weapons of modern, mechanized War. They look very efficient, even attractive, in their neat, field-drab paint. But let's not

forget for one moment that these weapons are for the purpose of killing German and Japanese soldiers. We must kill them, or they will kill us. We are fighting for our lives. Anyone who forgets that, anyone who ^{reduces} ~~releases~~ his effort for a single minute, ^{betrays} ~~is a traitor to~~ the men who are fighting on the battle front, ~~and a traitor to the Democracy our fore-fathers so painfully won.~~

The words 'Back the Attack' are no more slogan. They exactly describe what we must do, and do now, if we are to win this war. With every ounce of energy at our command, with the utmost effort of which we are capable, we must 'Back the Attack,' this month - and next month - and the month after.

Back - this - attack!

ARMY SHOW ADDRESS

5 185

Ladies and Gentlemen, I am speaking to you from the Army Show in Washington. I wish every man and woman in America could see these weapons. They illustrate a bitter lesson. Let me take you by the hand, through this show. Let me give you some facts which General Marshall says I may share with you.

From where I am standing I can see a 155 millimeter howitzer. In one month, in Sicily, we lost 13 per cent of all the 155 millimeter howitzers we landed.

Near this howitzer I see some 57 millimeter guns. In Sicily we lost 46 per cent of all the 57 millimeter guns we put into action there.

I'm not talking about Italy. I'm talking about Sicily. In Sicily we met only a small fraction of the opposition we are getting from the Germans, now, in Italy. Sicily was merely an outpost of the fortress of Europe, very lightly defended.

Listen to what it cost us.

We lost 36 per cent of the motor carriages for our 75 millimeter guns. We lost 22 per cent of the carriages for our 105 millimeter howitzers. We lost 54 per cent of the carriages for our 37 millimeter guns! All this in a minor campaign that lasted one month! We lost 7 per cent of our light tanks, 8 per cent of our medium tanks. We lost nearly 13 per cent of our 37 millimeter guns.

I say nothing of killed and wounded. I say nothing of the vast quantity of secondary materials used -- things like 1100 miles of copper telephone wire. I speak now only of weapons and

combat vehicles destroyed by the enemy or otherwise put out of service -- weapons and combat vehicles which must be replaced at once -- and ten times over! -- if we are to have a chance against the Germans in Italy, where we are evenly matched for the first time in this war.

Nearly half of the 57 millimeter guns we used in Sicily are gone forever. Are you listening, you workmen at Yoder Manufacturing, Bartlett and Hayward, Aetna Standard and United Shoe Machinery? You manufacture them! Do I need to tell you you've got to increase your production and buy more Bonds? Will you top your Bond quota?

More than a third of the 75 millimeter motor carriages we sent into Sicily are lost. Are you listening, you workmen at Cadillac? You make those carriages! Will you make more of them? Your Bond Quota is (\$). Will you make that, too?

We lost 8 per cent of our medium tanks. They're manufactured by Lima Locomotive, Pullman Standard, Pressed Steel Car, Baldwin and American Locomotive. How about you men there -- you men in management, you men in the plant? How about your Bond Quotas? Will you top them?

We don't like war. Who does? Except the Germans and the Japanese! But, because we don't like war, too many of us behave foolishly.

At the slightest excuse, we throw our hats into the air and yell "three cheers for our side." Given the slightest encouragement, we decide that the War is over.

When we were cleaning the Germans out of North Africa, we were as proud as though the war were already won. The fact is that the British did as much as we did, if not more. And at the most, in North Africa, we engaged no more than 15 German Divisions. The Russians are fighting 300.

When we beat the Germans in Sicily, we cheered again. The war was practically over, again. Well -- Sicily was only an outpost held by two or three German divisions. The Italians hardly fought back. Yet, again, with British help, it took us a full month to conquer Sicily. And, as I say, in certain types of equipment we lost half of the weapons we put into the battle.

A week ago, Italy surrendered. We did the same thing all over again. The war was won. We could stop drafting soldiers. We could stop producing weapons. We could reduce taxes. Everybody could sit back and take it easy.

Well, you've seen the newspapers today. We are holding, around Naples, but we are just barely holding, with tremendous loss of life. In a hard week of fighting we have managed to gain only a small foothold in ~~Southern~~ Italy. *Today the situation is extreme. We may lose it. If we don't lose it, we still have to drive North about 500 miles the full length of Italy,* with the Germans fighting every inch of the way. At the very least, it will take months. And, months from now, this winter or next Spring, when and if we conquer the whole of Italy, we will still be nowhere near Germany. We will still have a long way to go.

Let us stop this foolish, childish, over-optimism and over-confidence. It is criminal. It is criminal because, every time we

decide the War is won, we sign a death warrant for another thousand, or two thousand, or five thousand American soldiers and sailors.

Let management spend less time telling the public what a magnificent job it is doing, and more time doing an adequate job.

Let Labor think less about the fun it's going to have on Saturday night, and think more about ways to increase production and buy more Bonds.

This is the beginning of the War, as far as the United States is concerned -- this attack we are launching in Italy. These next few weeks and months will bring losses of life and material that will shock and stagger us.

Let us resign ourselves now to the fact that this Third War Loan will not be the last. There will be a Fourth War Loan, and a Fifth and a Sixth -- and maybe a Ninth and a Tenth.

At this Army Show in Washington, clustered around me, are the gigantic weapons of modern, mechanized War. They look very efficient, even attractive, in their neat, field-drab paint. But let's not forget for one moment that these weapons are for the purpose of killing Germans and Japanese.

We must kill them, or they will kill us.

We are fighting for our lives.

Anyone who forgets that, anyone who reduces his effort for a single minute, betrays the men who are fighting on the battle front.

The words "Back the Attack" are no mere slogan. They exactly describe what we must do, and do now, if we are to win this war.

With every ounce of energy at our command, with the utmost effort of which we are capable, we must "Back the Attack," this month -- and next month -- and the month after.

Back - This - Attack!

ARMY SHOW BROADCAST

Sixth Draft - 130

Ladies and Gentlemen, I am speaking to you from the Army Show in Washington. I wish every man and woman in America could see the ~~new~~ weapons. *That are on display here.* They illustrate a bitter lesson. Let me take you ~~by the hand~~ through this show. Let me give you some facts, ~~which~~ *I get them from* General Marshall, *and Gen. Marshall* says I may share with you. *them*

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decide the War is won, we sign a death warrant for another thousand, or two thousand, or five thousand American soldiers and sailors.

Let management spend less time telling the public what a magnificent job it is doing, ^{which everybody knows} and more time doing ~~an adequate~~ ^{the} job.

Let labor think less about the fun it's going to have on Saturday night, and think more about ways to increase production and buy more Bonds.

This is the beginning of the War, as far as the United States is concerned -- this attack we are launching in Italy. These next few weeks and months will bring losses of life and material that will shock and stagger us.

Let us ~~reassure ourselves now to the effect~~ ^{make up our mind now} that this Third War Loan will not be the last. There will be a Fourth War Loan, and a Fifth and a Sixth, ~~unless we settle down to the grim business of winning this war and signing the 14th and 15th.~~

At this Army Show in Washington, clustered around me, are the gigantic weapons of modern, mechanized War. They look very efficient, even attractive, in their neat, field-drab paint. But let's not forget for one moment that these weapons are for the purpose of killing Germans and Japanese.

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Back - This - Attack!

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THIRD WAR LOAN
Beginning September 9, 1943
(In millions of dollars)

	Cumulative					
	Through Sept. 9	Through Sept. 10	Through Sept. 11	Through Sept. 13	Through Sept. 14	Through Sept. 15
7/8% Certificates	24	147	233	377	596	1,117
2% Treasury bonds	12	480	663	819	954	* 1,472
2-1/2% Treasury bonds	20	287	545	696	820	* 1,237
Tax notes	61	73	131	202	282	361
Total	117	987	1,572	2,094	2,652	4,187
Savings bonds:						
Series E	178	188	206	244	268	310
Series F	3	4	4	6	7	10
Series G	15	17	20	25	30	40
Total Savings Bonds	196	209	230	275	305	360
Government funds	-	-	-	-	-	512
GRAND TOTAL	313	1,196	1,802	2,369	2,957	5,059

*Excludes 150M 2's
362M 2-1/2's sold to Gov't. funds

TO:

Secretary Morgenthau

196 ✓

9-15-48

If you sign the attached,
you will get elected to the
Union. Don't worry about
your classification or fee
on reverse side. Just sign
on the dotted line.

FS

Fred Smith
Room 2904

DESIGNATION AND APPLICATION FOR MEMBERSHIP
IN THE
American Federation of Radio Artists
NEW YORK LOCAL
(AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR)

(1) I hereby apply for membership in the AMERICAN FEDERATION OF RADIO ARTISTS and in the New York Local thereof, and agree to be bound by each and every provision contained in the Constitution of the American Federation of Radio Artists, in the Constitution of the said Local, by such amendments to said Constitutions as may hereafter be made, and by any and all by-laws to said Constitutions whether now in force or hereafter enacted. I agree that the said amendments and by-laws are binding upon me as of the date of their lawfully taking effect, regardless of the rights, if any, vested in me prior to such date.

(2) I hereby designate the American Federation of Radio Artists as my exclusive agent for collective bargaining purposes in any and all matters dealing with the radio industry, television records, electrical transcriptions, any other means for mechanical reproduction, and any other matters within the jurisdiction of the said Federation. I hereby further authorize the said Federation to delegate its right to be my collective bargaining agent to the said Local or to any other subdivision or agent of the said Federation. This designation is completely independent of my status as an applicant for membership under paragraph "(1)" and of my status as a member, should my application be accepted.

(3) Enclosed herewith is \$.....covering the first payment of dues and initiation fees. (See reverse side.)

(4) I affirm that I have truthfully answered the questions on the reverse side hereof.

Dated September 16, 1943

(Sign here)

Address

Telephone
number

1) I am a _____
(State whether actor, singer, announcer, speaker, solo instrumentalist,
dancer or other classification.)

2) Mark with "X" class of membership for which you are making this application.

Active

Associate

Non-resident

Provisional

QUALIFICATIONS FOR

ACTIVE membership—Persons who have appeared in at least 30 radio broadcasts in any capacity or in at least 10 broadcasts as a principal.

ASSOCIATE membership—Persons who have not appeared in radio broadcasts a sufficient number of times to qualify for active membership.

NON-RESIDENT membership—Persons who are neither citizens of the United States or Canada, nor resident and domiciled therein.

PROVISIONAL membership—Persons applying for membership for a particular program or part, whose duties are supervisory in nature, or who are employees of sponsors or agencies, and who therefore have no vote or other membership rights.

3) Artists claiming the benefits of reduced initiation fees and dues by reason of good standing in any branch of the Associated Actors and Artistes of America, which is a party to the "Interchangeability" agreements, should consult the Local office. Such artists shall answer the following questions:

State name of your organization _____

Until what date are you in good standing in such organization? _____

4) Dues and initiation fees are as follows:

Mark with X	Approximate gross income from Radio & Transcriptions during past year	Annual dues	Initiation fee
<input type="checkbox"/>	to \$ 2,000	\$ 24.00	\$50.00
<input type="checkbox"/>	to 5,000	36.00	50.00
<input type="checkbox"/>	to 10,000	48.00	50.00
<input type="checkbox"/>	to 20,000	60.00	50.00
<input type="checkbox"/>	to 50,000	72.00	50.00
<input type="checkbox"/>	over 50,000	100.00	50.00

AMERICAN FEDERATION
OF
RADIO ARTISTS

A VOLUNTARY ASSOCIATION

ARTICLES OF AGREEMENT
AND CONSTITUTION FOR
NATIONAL ASSOCIATION

**ARTICLES OF
AGREEMENT AND CONSTITUTION**
of the
AMERICAN FEDERATION OF RADIO ARTISTS

WE, THE UNDERSIGNED, all being persons of full age, hereby constitute ourselves a voluntary association to advance, foster, promote and benefit all those connected with performances in radio as actors, singers, solo instrumentalists, dancers, announcers and speakers, and all others who sing, speak, act or play before the microphone, and, subject to the limitations hereinafter set forth, all such persons who sing, speak, act or play for recordings, electrical transcriptions or other means for the mechanical reproduction thereof; to protect and secure the rights of the above described persons in their professional activities; to secure proper legislation upon matters affecting their professions; to promulgate and carry into effect such policies as shall secure the united action of all members of the said professions for the common good; to prevent and abolish abuses from which those coming under the jurisdiction of this Association shall or may suffer; to assist such persons in securing just and equitable contracts, agreements, working conditions and minimum compensation in their dealings with employers, agents, managers, impresarios and others connected directly or indirectly with the radio business; to investigate the practices of such employers, agents, managers, impresarios and others, and to take united action to abolish any unfair dealings or abuses or other conditions which are detrimental to persons engaged in the said professions; to take such suitable action with regard to the unauthorized use of recordings, electrical transcriptions, coin slot machines, and other means for the mechanical reproduction of music or of the voice, as will protect the members in the practice of their profession; to do or cause to be done or to refrain from doing such other acts or things as may be lawfully done or as the Association may lawfully refrain from doing which shall be advantageous to the members of the Association; to combine and coordinate the activities of the Association with the activities of other organizations, whenever such combination or coordination shall be to the best interests of the members of the Association, and to enter into agreements for united action for the common good with other associations of

(As Amended August, 1941)

artists, technicians, stage hands or other persons whose cooperation shall be deemed helpful; and to bargain collectively on behalf of its members and to deal with employers, managers, agents, impresarios and others whose activities affect the members, concerning grievances, standard contractual relations, minimum wages and conditions, and concerning all related and collateral abuses that may affect the welfare of the members.

AND, WE, THE UNDERSIGNED, hereby agree that the said Association and the signers hereto and such persons as may hereafter become members of this Association or of any affiliated Local or other subdivision thereof are and will hereafter continue to be governed by the following Constitution, by such amendments thereto as may hereafter be lawfully made, and by any By-Laws which may hereafter be lawfully enacted pursuant to such Constitution or any amendments thereto, all of which amendments are hereby agreed to be binding upon each of the signers hereto and each subsequent member of this Association or any Local or other subdivision thereof, as of the date of their lawfully taking effect regardless of the rights vested in the various members, locals, and other subdivisions of this Association prior to such amendment.

[2]

CONSTITUTION

ARTICLE I

NAME AND SEAL

The name of this Association shall be AMERICAN FEDERATION OF RADIO ARTISTS. It is, and shall be, a voluntary association under the laws of the State of New York consisting of seven (7) or more persons and having a President and Treasurer. The Association shall continue until dissolved in accordance with this Constitution. Its seal shall be circular and bear the name of the Association and year of organization.

ARTICLE II

PRINCIPAL OFFICE

The principal office of the Association shall be located in the Borough of Manhattan, City and State of New York, and shall be maintained out of the general funds of the Association. Suitable space shall be provided for the President, Executive Secretary and their working staff.

ARTICLE III

MEMBERSHIP

SECTION 1: Any person who has performed, or intends to perform, as an actor, singer, solo instrumentalist, dancer, announcer or speaker, in any radio broadcast, or who otherwise sings, speaks, acts or plays before the microphone, shall be eligible for membership.

The term "solo instrumentalist" as used in this Constitution shall mean any instrumentalist other than one performing as a member of an orchestra or band; provided, however, that nothing contained in this Constitution, or in the By-Laws of this Association, shall ever be so construed as to interfere with any member's obligations to the American Federation of Musicians as a member thereof, it being the purpose and intent of this Association to cooperate with the American Federation of Musicians, within their respective jurisdictions, for the common good.

[3]

SECTION 2: The National Board may, in its discretion, declare that persons who sing, speak, act, or play for recordings, electrical transcriptions or other means for the mechanical reproduction of music or the voice, shall be eligible for membership upon such terms and conditions as the Board may prescribe; provided, however, that this shall not be deemed to empower the Board to include within the jurisdiction of the Association, persons who sing, speak, act or play for recordings, electrical transcriptions and other means for the mechanical reproduction thereof, on the stage or in connection with motion pictures.

SECTION 3: The National Board may, in its discretion, declare that radio directors shall be eligible for membership upon such terms and conditions as the Board may prescribe.

ARTICLE IV

CLASSIFICATIONS

SECTION 1: Members shall be divided into four classes, to wit: active members, associate members, non-resident members and honorary members.

Active Membership: Citizens of the United States, its dependencies or possessions, or citizens of Canada, or persons who are resident thereof and domiciled therein, who have performed for compensation in radio broadcasts in any capacity within the jurisdiction of the Association, shall be eligible to active membership upon such terms and subject to such qualifications as may be established by their affiliated Local with the approval of the National Board.

Associate Membership: Citizens of the United States, its dependencies or possessions, or citizens of Canada, or persons who are resident thereof and domiciled therein, who have performed for compensation in radio broadcasts in any capacity within the jurisdiction of the Association, but who are not eligible for active membership, shall be eligible for associate membership upon such terms and subject to such qualifications as may be established by their affiliated Local with the approval of the National Board.

Non-Resident Membership: Persons who are active in radio as actors, singers, solo instrumentalists, dancers, announcers and lecturers, and all others who sing, speak or play before the microphone, who are not eligible for active or associate membership,

[4]

may in the discretion of the National Board, be declared eligible for non-resident membership in their affiliated Local, upon such terms and conditions as the National Board may from time to time prescribe. The decision of the National Board as to the citizenship, residence or domicile of any person shall be conclusive.

Honorary Members: Persons in sympathy with the objects and purposes of the Association and having no business or other associations antagonistic thereto are eligible to election as honorary members.

Each active member and no other shall have one vote in his Local and in any referendum of the membership of the Association and shall be entitled to hold any office in the Association, the Regional Divisions or his Local.

Honorary members may not attend meetings or conventions except with the consent of the majority of those present and shall not be subject to dues or assessments or any of the obligations of membership.

The term "members" wherever hereinafter used does not include honorary members.

SECTION 2: The National Board, with the subsequent approval of the Association given at the next annual Convention, or at any special Convention, may alter, reclassify, change, enlarge, diminish or terminate: (1) the rights and/or membership of any member or group of members, and/or (2) the present and future membership, and define the qualifications for membership of present members and/or persons becoming members in any present, changed, new or additional classes. Should such action diminish, alter, change or destroy the vested rights of any person then a member in good standing, the concurrence of two-thirds (2/3) of the votes cast at the Convention shall be necessary.

ARTICLE V

APPLICATION FOR MEMBERSHIP

No person shall become a member of the Association, or of any Local thereof, unless and until he shall sign an application which shall substantially provide that he agrees to be bound by the respective Constitutions of the Association and Local and by such amendments thereto as may thereafter be lawfully made, and by any By-Laws, rules, regulations and orders existing or there-

[5]

after lawfully enacted pursuant to such Constitutions and any amendments thereto.

Said application may contain such further terms and provisions and such further information as to the applicant's qualifications and experience as the National Board, or any Local with the approval of the National Board, may from time to time prescribe.

ARTICLE VI

GOVERNMENT

SECTION 1: The general management, direction and control of the affairs, funds and properties of the Association, the determination of the relations and obligations of the members, the Association, the Locals and the Regional Divisions to one another, and the carrying out of the objects and purposes of the Association except as they are controlled or limited by the Constitution and By-Laws, shall be vested in a National Board, which shall consist of not less than forty-five (45) nor more than fifty (50) members, each of whom shall be an active member in good standing. If any member of the National Board ceases to be an active member, his position on the Board shall automatically become vacant.

SECTION 2: In addition to the powers set forth in the preceding section, the National Board shall have authority to authorize contracts, to determine in what banks the funds of the Association are to be deposited, to designate a member or members of the Board to represent the Association officially in any corporation, firm or partnership in which it may have invested its money, to appoint delegates to represent the Association at any and all conventions, conferences or meetings, to frame suitable By-Laws not inconsistent with this Constitution; to determine and impose such penalties, either by fine, suspension, expulsion, or withdrawal of charter, in case of default by any Local or its members or any act or omission or commission by any Local or its members contrary to this Constitution, lawfully adopted By-Laws, or lawfully adopted orders of the Board, as such Board may in its discretion determine; to determine the compensation of any officer or other person performing services for the Association, and to vote moneys to pay any loss incurred by any officer or Board member in carrying out its orders.

Except as otherwise provided herein, the Board may not take

any action contrary to any resolution passed by a two-thirds (2/3) vote of the delegates present and voting at any annual or special convention.

SECTION 3: Members of the Board may act by proxy but the proxy must likewise be a member of the Board. Eleven (11) members shall constitute a quorum of the Board and the act of the majority at a meeting at which a quorum is present in person or by proxy shall be the act of the Board, provided that no less than seven (7) Board members are present in person. Notwithstanding anything herein contained, each member of the Board shall hold office until his successor qualifies.

SECTION 4: Officers of the Association shall consist of a President, five (5) Vice-Presidents, Recording Secretary and Treasurer, who shall be members of the National Board, and shall be elected by the delegates at the annual convention. The original officers shall be elected by the first board and shall hold office until the annual Convention in 1938 and until their successors qualify. Thereafter the officers shall be elected at the annual Convention for a term of one year or until their successors qualify. No person shall serve as President of the Association for more than five (5) consecutive terms.

SECTION 5: All regular and special meetings of the Board shall be held at the offices of the Association or at any other place at its discretion and at such time as said Board may determine.

SECTION 6: The President, Treasurer or any five (5) members of the Board, may, at any time, by sending written or telegraphic notice, or notice in person or by telephone, call a special meeting of the Board.

SECTION 7: Except as may be otherwise expressly provided by statute, in any case, the National Board may, without assembling, act by resolution signed by the members thereof. Such signature may be subscribed on duplicate copies of the resolution, and except as otherwise expressly provided by statute or in this Constitution, a concurring majority vote shall be sufficient to carry the resolution.

The Executive Secretary shall prepare and mail to each member of the Board, a copy of the proposed resolutions for signature, together with notice of the date within which said vote is to be returned. The return to the Executive Secretary of signed copies

approved by a majority of the Board shall establish the passage of such resolution.

SECTION 8: National Board members shall be elected to serve for three (3) years. Members of the National Board elected to serve until 1942, 1943 and 1944, respectively, shall continue in office until the expiration of their terms. In case of death, resignation or removal of a member of the Board, the Local or Locals represented by said member of the Board shall nominate and elect a successor as provided in Paragraph 5 of Section 11, and such individual shall hold office from the date of his election by the Local or Locals until the end of the unexpired term. It shall be optional with the Local concerned to nominate and elect such successor by vote of the Local Board or the Local membership, as the laws of such Local provide with respect to Local elections.

SECTION 9: The National Board may at any time delegate all or any of its powers to an Executive Committee, elected from itself and composed of not less than five (5) members. A majority of the Executive Committee shall constitute a quorum and the act of a majority of a quorum present in person shall constitute the act of the Committee. The Executive Committee shall hold office at the pleasure of the Board, but not longer than until the next annual convention.

SECTION 10: The Board shall have the power to appoint Committees, agents and assistants to officers and Committees, to carry on the work of the Association, as it may deem proper, and it shall determine their authority, powers, duties and compensation.

The Board shall appoint and define the duties and compensation of the Executive Secretary and such assistant Secretaries as it may, from time to time, deem necessary.

SECTION 11: Not later than April 1st of each year preceding the convention, the National Board shall make a computation applying as nearly as may be the principle of proportional representation to the end that each Local shall, to the extent that it is practicable, have the same proportion of National Board members as its membership in good standing bears to the entire paid up membership of AFRA on February 1st preceding the convention.

Locals having a paid-up membership of less than one hundred (100), or whatever unit is the basis of computation, shall not be included in the determination of proportional representation, but the membership of the National Board shall include at all times at least three (3) members representing such Locals who shall serve for one (1) year terms. Board members representing such Locals shall be nominated and elected at the convention prior to the election of National officers, by the delegates or their proxies of the Local or Locals said Board members are to represent.

In computing proportional representation the National Board shall consider the total number of Board members at not less than forty-five (45) nor more than fifty (50), thereby taking into consideration fractional representation.

The computation shall be submitted in writing by the National Board to the Executive Secretary of each Local on or before April 15th preceding the convention and shall contain a statement of the number of places on the Board to be filled by each Local. If a question arises as to the computation of Board members from any Local or Locals, because of a Board member's change of residence or place of work, such question shall be determined by the National Board, after consultation with the Locals involved.

Any active member in good standing of any Local may propose a candidate for nomination from his own Local, provided twenty (20) such members sign a petition setting forth the name of the candidate. Said petition shall be filed with the Local Executive Secretary not later than May 20th. Before June 15th of each year each Local shall conduct an election by ballot of the active members in good standing to elect Board members on the National Board from the candidates so proposed by petition. Each Local shall elect the number of Board members designated as such Local's representation by the National Board, and such Board members shall be an equivalent number of the candidates receiving the highest vote in the respective Local elections.

There shall be at all times at least one actor, one singer and one announcer on the National Board from each Local entitled to three or more National Board members.

The names of Board members elected by the Locals shall be filed with the Executive Secretary at least twenty (20) days prior to the convention, and the Board members so elected shall not succeed their predecessors in office until the National officers have been elected at the convention.

National officers shall be nominated from among the Board members comprising the new Board and elected by the delegates at the National convention. All National officers must be National Board members, but the officers elected at the preceding convention shall hold office until their successors are elected.

Elections shall be held as provided in this Article beginning with the 1942 elections.

ARTICLE VII

COMMITTEES

The principal committees of the Association shall be the Executive Committee, Arbitration Committee, Membership Committee, Entertainment Committee, Legislature and Law Committee, Grievance Committee for Actors, Grievance Committee for Singers and Solo Instrumentalists, and Grievance Committee for Announcers.

The Grievance Committees shall each consist of not less than five (5) active members, each of whom must be an active member of the professional class of the Committee to which he is appointed. Recommendations of any Grievance Committee must be presented to the National Board or Executive Committee, which must consider any committee report or recommendation filed with the Executive Secretary at the next regular or special meeting of the Board or the Executive Committee.

The President, or in his absence or incapacity, such other Board Member as the Board may appoint, shall be an *ex officio* member of all Committees.

ARTICLE VIII

ESTABLISHMENT OF LOCALS

SECTION 1: The National Board may in its discretion and from time to time, authorize the organization or admission of Locals in any territory which is not included in the jurisdiction of a Local already organized; provided, that no Charter shall be granted to any Local until the application for a Charter is signed by not less than eleven (11) persons eligible to active or associate membership who are bona fide residents of the territory for which the application for the proposed Charter is made, or whose radio activities are principally carried on in such territory.

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SECTION 2: Each of the Locals shall have a Constitution and By-Laws which shall be consistent with the Constitution and By-Laws of the Association and approved by the National Board, and the Constitution and By-Laws of each of said Locals shall *ipso facto* be deemed amended, modified and changed in such respects as the Constitution and By-Laws of the Association may from time to time be amended, modified or changed in order to remain consistent with the Constitution and By-Laws of the Association.

SECTION 3: Each of the Locals shall have jurisdiction to organize within the territory covered by its Charter, subject always to the paramount authority of the Association acting through the National Board. Any dispute as to jurisdiction among the Locals or between any Local and the Association shall be determined by the National Board and its decision shall be conclusive.

SECTION 4: The acceptance of a Charter by a Local shall automatically bind the said Local to observe and conform with all the provisions of this Constitution and the Charter and Constitution granted to such Local, any By-Laws, orders, regulations, resolutions or directions of any convention, the National Board, the Executive Committee or any duly appointed subcommittee thereof, or any duly authorized officer or authority, then in force or thereafter made or enacted. A violation of any such provisions of the Constitution, By-Laws, orders, regulations, resolutions or directions shall subject such Local to expulsion, suspension and other disciplinary action at the discretion of the National Board or its Executive Committee.

SECTION 5: Subject to the provisions of the Charter and Constitution granted by the Association, and of this Constitution, each Local shall be autonomous and shall manage and govern its own affairs within the territory of its jurisdiction. It may appoint its own officers, discipline its own members and exercise any other powers granted to it under its Charter and Constitution; provided, however, that in no event shall any Local take any action which in the opinion of the National Board is injurious to any other Local or detrimental to the best interests of the Association, nor shall any Local enter into any contracts or understandings on behalf of their members, or issue rules or regulations governing working conditions or compensation, without the approval of the National Board.

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SECTION 6: In the interests of unified action for the common good, notwithstanding any other provision herein contained or which may be contained in any Charter or Constitution granted to any Local, the National Board expressly reserves the right, power and authority to require all Locals and the membership thereof to take united action to accomplish any purpose which may be validly accomplished under the Constitution.

SECTION 7: The Constitution and By-Laws (and amendments thereto) of each and every Local must be uniform and shall not vary except where required by the laws of the States where such Locals have jurisdiction; provided that the Board shall have the power to permit exceptions to this rule; and provided further, that all Local Constitutions and By-Laws and amendments thereto (and other rules, regulations, orders and resolutions of Locals) must be filed with the Association and approved by the National Board.

SECTION 8: The power to transfer members from one Local to another and the power to determine all questions as to initiation fees, dues and assessments upon such transfer shall be vested in the National Board. In the event any member engages in professional activities within the jurisdiction of this Association in the territory of a Local of which he is not a member, he shall forthwith be required to observe all lawful rules and regulations of such Local.

ARTICLE IX

CONVENTIONS

SECTION 1: The Association shall hold an annual convention commencing on a date in August to be fixed by the National Board at such place as the delegates of the preceding convention may determine. The National Board shall determine the date of the Convention and the Executive Secretary of the Association shall notify the Locals of the date at least ninety (90) days prior to the commencement of the convention.

SECTION 2: It shall be mandatory upon the National Board to call a special convention within sixty (60) days after receiving a written request therefor from two-thirds (2/3) of the Locals. The Board shall have power, on its own motion, to call a special convention, at any time that, in its opinion, such special convention is necessary.

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SECTION 3: Each Local shall be entitled to one delegate for every twenty-five (25) members in good standing or major portion thereof, provided that every such Local shall be entitled to at least one (1) delegate. A majority of the delegates to whom credential certificates are issued (or their proxies or alternates, in the event the delegate is not present) shall constitute a quorum. The number of members shall be based upon the membership rolls in good standing on July 1st, prior to the convention, unless the Board, by resolution, shall fix a different date. Representation or vote in any convention shall be denied to any Local which has failed to pay in full, to the Association, dues, assessments or other indebtedness due it up to and including July 1st (or up to and including such different date as the Board may fix), preceding the convention.

SECTION 4: On or before the 1st day of July preceding the annual convention, the Executive Secretary shall issue to each Local a credential certificate for each delegate, which must be filed at the convention before any delegate may cast his vote. Upon the violation, by any Local, of any of its obligations under this Constitution or any amendments thereto or By-Laws thereof, or of its charter and Constitution, or of any rule, regulation or resolution of the Board, such credential certificate may be cancelled; and if such violation has occurred prior to July 1st preceding the convention, no credential certificate shall be issued.

Delegates at any annual or special convention may vote by proxy, but such proxy must be issued in the name of the Local which the delegate represents, and be signed by its President or other duly authorized officer. Only active members in good standing may act as proxies.

SECTION 5: No member shall be permitted to represent more than one Local nor shall any member be permitted to act as a delegate for a Local unless he is an active member in good standing. Alternates may be selected for those delegates who may not be able to attend the convention, who shall be subject to the same rules and regulations as the delegates and may use the same credential certificate as the delegate. The National Board shall establish rules and regulations governing the decision of protests against the seating of delegates.

SECTION 6: It is the purpose of the Association that its National Board be a representative body composed of active mem-

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bers representing the different professions who perform in radio, and that the Board be truly representative of the Locals from various parts of the United States and Canada. To this end the National Board shall appoint a special committee which shall study ways and means of accomplishing this purpose and shall submit its recommendations thereon to the annual convention to be held in 1938.

ARTICLE X

REGIONAL BOARDS

The National Board may from time to time delegate such of its functions and powers as it shall see fit to Regional Boards, with power to such Regional Boards to issue charters and constitutions to Locals within the territory allocated to such Regional Board, subject, however, to the power of the National Board to revoke such delegations at any time.

ARTICLE XI

INITIATION FEES, DUES AND ASSESSMENTS

SECTION 1: Except as otherwise provided in Section 2 hereof, initiation fees, dues and assessments of members shall be fixed by the Locals for all members of such Locals, subject to the approval of the National Board. Such initiation fees, assessments and dues may be different for different classes of membership, and for different Locals or Regional Divisions. All such initiation fees, dues and assessments shall be paid to and collected by each Local, subject however, to the paramount right of the National Board to fix the proportion of such initiation fees, dues and assessments which must be paid by the Locals to the Association. The National Board may at any time and from time to time vary, increase or diminish the proportion which the Local is required to pay the Association. Such payments shall be made by the Local to the Association on the 15th day of the month following collection, unless the National Board, by resolution, fixes a different time. In the event any Local fails to observe its obligations under this Constitution to pay its fixed proportion of initiation fees, dues and assessments to the Association, the Association shall have the right after hearing held before the National Board on thirty (30) days written notice to the Local,

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to take over all the funds and properties of such Local and to manage and administer its affairs until such time as a new Local is organized.

For the period that any Local is indebted to the Association, all initiation fees due and payable by any member of such Local may, in the discretion of the Board, be made payable directly to the Association.

SECTION 2: All Locals chartered after November 1, 1940, which are not financially self-sustaining and cannot meet their assessments and other obligations to the Association, shall, upon instructions from the National Board, remit to the National Treasury all initiation fees, dues, assessments and all other moneys and receipts collected or received by such Locals, as well as such moneys and other assets of the Local as the National Board may require. The National Board shall have sole control over the finances of such Locals, including the fixing of initiation fees, dues and assessments, the collection and receipt of moneys, authorizing and payment of expenses, disbursements and salaries, and any other matters involving the funds, properties and financial affairs of such Locals. In the event any such Local changes its status and no longer falls within the purview of this Section, the National Board shall release such Local from the financial restrictions imposed by this Section. The National Board may establish rules and regulations for the administration of this Section. Any Local whose financial affairs are being handled by the National Treasury under the terms of this provision shall have the right of appeal to any succeeding National convention. Any such convention may uphold or change the decision of the National Board as to such Local's financial status. The decision of the convention or any succeeding convention shall be final.

ARTICLE XII

MEMBERS CONTRACTS

SECTION 1: The Association through its National Board may order the members of all Locals to refrain for a given time or until further order of the National Board under specified conditions or in any manner whatsoever from working for, dealing with, or having any business or professional relations with, any one or more employers, agents, managers, impresarios or other

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persons connected with the radio business, provided that no such order of the Board shall be issued unless either (1) three-quarters (¾) of the delegates who vote thereon at any annual convention or at any special convention called for the purpose, shall concur with such order, or (2) two-thirds (2/3) of those of the members who vote thereon in a mail referendum vote ordered by the National Board under rules and regulations prescribed by it, shall concur with such order. Upon notice of such order and pending concurrence by the delegates or members thereon, the Board may order members to refrain from doing any act or making any contract which would make compliance with such order impossible or unlawful, if the order is concurred in. Such concurrence may include authorization to the National Board to issue such order, at any time, not to exceed twelve (12) months from the date of such vote. In other respects, the time and the extent of the issuance of such order shall be fixed by the National Board.

SECTION 2: Any Local may issue an order to its members to refrain from working for, or dealing with, or having any business or professional relations with, any one or more employers, agents, managers, impresarios or other persons connected with the radio business upon the concurrence of not less than three-quarters (¾) of the members of such Local who vote by referendum or at any meeting lawfully held pursuant to the Charter and Constitution of such Local, provided, however, that no such order may be issued by any Local without the approval of the National Board.

SECTION 3: Where the Association or any Local has a contract with any person, firm or corporation (which contract has been lawfully made as provided in this Constitution), and such person, firm or corporation breaches the same or has been found guilty of unfair dealing, the National Board may by a two-thirds (2/3) vote of its present and voting members, at any meeting called for such purpose, issue such order or orders in respect to such person, firm or corporation without securing the concurrence of the members or delegates as provided in this Article.

ARTICLE XIII

BY-LAWS

Subject to the provisions of this Constitution, the National Board may at any time and from time to time adopt, amend or

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revoke the By-Laws of the Association. The Board shall have the further power to make rules, orders and regulations supplementing the Constitution and By-Laws. The term "By-Laws" as used herein is interchangeable with the words "rules" or "regulations" or "orders".

ARTICLE XIV

ADDRESSES AND NOTICES

Each Board member, Committee member and Local (both on behalf of itself and on behalf of each of its members) shall file with the Association an address to which all notices and referendum ballots may be sent. In the case of members, each Local shall also be required to file with the Association the names of all members of such Local, whether paid-up or not. If no such address is so filed, the office of the Association in the City of New York shall be deemed to be the mailing address of such Board member, Committee member, Local or member. Unless otherwise specifically required by this Constitution, the service of all notices may be made either (1) by personal delivery, (2) by mailing the same enclosed in a post-paid wrapper to the last address filed with the Association, or (3) by telegraphing to such filed address. The giving of such notice may at any time be waived in writing before or after any convention or meeting. All notices and referendum ballots provided for in this Constitution shall be deemed validly given or sent, as the case may be, when sent as herein provided, and in such case, it shall be deemed immaterial whether such notice or referendum ballot has been actually received.

ARTICLE XV

AFFILIATION

The Association may affiliate with, become a part of, merge into or make agreements with any other organization or association having objects harmonious with the objects of this Association, upon such terms, conditions and reciprocal obligations as shall appear by resolution of the Board to be advantageous to the Association; and may enter into contracts or agreements for cooperation with other employees, with other persons working in or connected with radio broadcasts, with artists engaged in other

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fields of professional activities, and with such other persons, firms or corporations as the Board may approve. Any agreement or resolution of merger must be ratified by sixty (60%) per cent of the delegates casting their vote at any annual or special convention, or by a sixty (60%) per cent vote of the members voting thereon by a referendum taken by mail.

ARTICLE XVI

MAXIMUM COMPENSATION

Neither this Association nor any Local shall ever establish any maximum rates of compensation and this Article may not be amended.

ARTICLE XVII

DISCIPLINE

SECTION 1: Any member who shall be guilty of an act, omission, or conduct which in the opinion of the Board is prejudicial to the welfare of the Association, or of any of its Locals, or of any of its members, as such, or any member who shall fail to observe any of the requirements of the Constitution, or of any By-Laws, rules, regulations or orders lawfully issued by the Association, any Local or any duly authorized committee or agent of said Association or Local, or any member who shall in any way be indebted to the Association or any Local thereof, may, in the discretion of the Board, be either fined, censured, suspended or expelled from membership. The Board may discipline a member for each and every offense or violation, and no member shall be exempt from disciplinary action because of any previous action of the Board upon some other or different charge.

SECTION 2: In such cases the National Board shall act upon charges preferred in writing and furnished to the accused and after a hearing at which the accused may be present and of which he shall have at least ten (10) days' notice, except that pending such hearing and determination of the National Board, the Executive Committee may suspend such member. In the event of such suspension, while the accused member is absent from the City of New York and unable to appear before the Board within the said ten days, at the discretion of the Board, the accused may

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be investigated by a committee appointed by the Board, which shall report its findings and recommendations to the Board for final action.

SECTION 3: From any resolution of the National Board which fines, suspends, disciplines or terminates the membership of any member, said member may appeal to the Association. Said appeal shall be heard at the next annual or special convention of the Association after said resolution is adopted by the Board. The accused may appear at such convention and be heard. Of said convention he shall have at least thirty (30) days' notice. Pending an appeal and until decision, the accused member shall have none of the privileges of membership.

SECTION 4: Any member who shall, in the opinion of the Board, have a business association or shall engage in any business which places him in antagonism to or at variance with any of the objects of the Association, may, in the discretion of the Board, be deprived of voting rights, or the privilege of holding any office, or acting on any committee or Board of the Association or any Local thereof, or both, on such terms and for such period as the Board may deem fit.

ARTICLE XVIII

RESERVED POWERS

The National Board shall be deemed to have all powers not expressly taken from it by this Constitution or by resolution passed by a majority of the delegates at any convention.

ARTICLE XIX

DISSOLUTION

By resolution adopted by the National Board and ratified by a two-thirds (2/3) vote of the delegates present at a special convention called for the purpose, this Association may be dissolved. Upon such dissolution (unless by a two-thirds vote said convention shall otherwise order) the net assets of the Association, after the payment of all debts and expenses, shall be distributed pro rata among the active members in good standing as of the date of the passage of the foregoing resolution and the National Board shall have full power to settle up the affairs of the Association and to sell and dispose of and to give good title to any and all of its property both real and personal and shall make division in accordance with the terms of this article.

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ARTICLE XX

AMENDMENTS

SECTION 1: This Constitution may be amended by a vote of two-thirds (2/3) of the delegates who vote upon the question either in person or by proxy at an annual convention of the Association, or at a special convention called for that purpose, or by a majority vote of the members voting thereon upon a referendum vote taken in such manner as the Board may prescribe. No proposition to amend the Constitution shall be acted upon unless it shall have been authorized by resolution of the National Board, or shall have been presented in writing to the Executive Secretary signed by at least one hundred (100) members in good standing or by at least one-third (1/3) of the Locals, and a notice containing a copy of the proposed amendment shall have been mailed to each Local at least twenty (20) days prior to the date of the convention or the taking of the mail vote. In no event shall Article XII of this Constitution be amended except upon a three-quarters (3/4) vote of the delegates at the annual convention, or a special convention called for the purpose.

SECTION 2: The Executive Secretary shall inform the National Board as to any amendment proposed by members or by the Locals, and the National Board shall, on the submission of such amendment to the membership, report its opinion thereon.

ARTICLE XXI

RESTRICTIONS ON LOCALS

No relationship is created by this Constitution whereby any Local, in the absence of consent or authority in writing from the National Board, shall have any right or power to act as agent or representative of this Association or bind it to any obligation whatsoever, or whereby any Local, in the absence of like consent of the chief authority in any other Local, shall have power to act as agent, or representative of any Local or bind it to any obligation whatsoever. The relation of each Local to this Association is that of an organization accepting certain rights vested in this Association, and agreeing, in consideration of the giving of said rights, to assume the obligations set forth in this Constitution; and the acceptance of rights hereunder by the several Locals shall not be deemed, at any time, to create any partnership or joint venture between them.

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ARTICLE XXII

VOTE BY REFERENDUM

SECTION 1: All votes by referendum shall be taken by secret ballot in the manner prescribed by By-Laws enacted by the National Board.

SECTION 2: The Board may, at any time in its discretion, order a referendum vote on any question or measure whatsoever, whether of local, regional or national character; and in such case, the question or measure shall be decided by a majority of those members who cast their ballots; provided, that wherever in this Constitution any question or measure must be approved by more than a majority of the delegates at a convention, or by more than a majority of the locals, the same proportion of members voting by referendum ballot shall be required to pass on any such question or approve any such measure.

ARTICLE XXIII

CONSTITUTIONAL COMMITTEE

The National Board shall appoint a Special Committee whose duty it shall be to make recommendations to the Board, for submission to the first annual convention of any necessary or suitable amendments to this Constitution.

ARTICLE XXIV

DEFINITIONS

Whenever the context so requires, the masculine gender shall include the feminine; the singular number shall include the plural; and "person" shall include "corporation", "firm", "partnership", "association" and the like.

ARTICLE XXV

EFFECTIVE DATE

This Constitution shall take effect on August 16, 1937.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 15, 1943

TO Secretary Morgenthau
 FROM Mr. Hass
 Subject Current Developments in the High-grade Security Markets

I. Recent Changes in Prices and Yields
of Government Securities

The market for Government securities was mixed during the last calendar week, but the general tone was good. The 2 percent taxable bond area exhibited modest strength. Some small support was rendered this sector by the Federal Reserve System through purchase of \$700,000 of the 2's of September 1950-52 early in the week. The intermediate- and long-term partially tax-exempt securities scored impressive gains ranging up to 11/32, while tax-exempt notes and the earlier maturities of partially tax-exempt bonds registered declines. Average price and yield changes for the week are shown in the following table:

	Week ended Saturday, September 11, 1943			
	Average price change		Average yield change	
	Taxable	Tax-exempt	Taxable	Tax-exempt
	(In thirty-seconds)		(Percent)	
<u>Notes</u>				
1 - 3 years	0	-1	+.01	+.03
3 - 5 years	0	-	.00	-
<u>Bonds</u>				
5 - 12 years to call	+3	+7	-.02	-.03
12 years and over to call	0	+9	.00	-.02

Secretary Morgenthau - 2

II. Excess Reserves and Federal Reserve Open Market Operations

Excess reserves of member banks moved sharply upward, from \$1,145 millions to \$1,438 millions, in the week ended September 8. At this level they are still about \$1,350 millions below their level on April 30, 1942, when the Federal Reserve Banks announced that they would buy all Treasury bills offered at a discount rate of $\frac{3}{8}$ of 1 percent.

During the intervening period, however, the necessity of financing a \$7 billions increase of money in circulation, together with a net increase in required reserves, resulting from the growth of deposits, of about \$2 billions, would have long since exhausted the member banks' excess reserves and forced them to have recourse to the rediscounting facilities of the Federal Reserve Banks, had the Reserve Banks not replenished member bank reserves by the purchase of Government securities. Such purchases have totaled about \$7 billions (net) since April 30, 1942, of which nearly \$6 billions consisted of Treasury bills.

It should be noted that the purchase of bills by the Federal Reserve Banks at the posted rate differs from purchases of other Government securities, in that the initiative lies with the selling banks rather than with the Federal Reserve Banks. It follows that, as Federal Reserve purchases of other securities have been very small, the member banks have had to sell a large volume of bills to the Federal Reserve Banks in order to maintain their reserve positions and avoid borrowing. It is this, rather than a distaste for bills on the part of member banks, which has accounted for the large Federal Reserve purchases.

In the last several weeks, a number of banks have exhausted their bill holdings; and, as a consequence, rediscounts at the Federal Reserve Banks have risen to \$71 millions -- the highest since 1934. As soon as the Third War Loan gets well under way, however, the transfer of deposits from private accounts which require reserves to War Loan accounts which require no reserves will ease the situation to such an extent that rediscounts may be expected to fall sharply, and member banks may be expected to buy back a portion of the bills which they had previously sold to the Federal Reserve Banks.

Secretary Morgenthau - 3

III. Transfers of Funds in Connection
With the Third War Loan

In connection with the Third War Loan, the Treasury has sought to minimize transfers of funds about the country by requesting that subscriptions be entered where the funds are located. Mr. Burgess had expressed concern lest this request be ignored by corporate subscribers wishing to distribute their subscriptions in smaller units than the \$50,000 permitted by drive regulations. Figures through September 8, however, give no evidence of such transfers of funds. In fact, New York, which one would expect to be the loser in such transactions, has gained deposits on balance.

IV. Canada's Fifth Victory Loan to Open
October 18

Canada's Fifth Victory Loan will open on October 18 with a minimum cash goal of \$1.2 billions. The objective in the Fourth Loan last April - May was \$1.1 billions, and \$1.3 billions was subscribed. In addition to the cash objective, holders of about \$235 millions of maturing or called obligations will be given an opportunity to exchange their securities for the new loan.

All of the cash loan will be raised from nonbanking sources with the objective divided as follows:

1. \$525 millions, or 44 percent, from individuals (except those on the "special names" list), and
2. \$675 millions, or 56 percent, from others, which comprises business firms and corporations for the most part, but also includes individuals (those on the "special names" list) believed to be capable of buying \$25,000 or more of bonds.

In the previous four victory loans the first group accounted for 39 percent of total cash subscriptions, with the proportions subscribed in each loan varying only slightly from this average.

Secretary Morgenthau - 4

At the time of the Fourth Loan the objective for individuals was set at \$500 millions, and subscriptions amounted to \$530 millions, or 6 percent more than the goal. The objective for the second group was set at \$600 millions and was oversubscribed 30 percent, with subscriptions amounting to \$779 millions.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

September 15, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

As predicted, the first day of Congress after the summer recess produced nothing spectacular in the way of legislation or discussion. Senator Wheeler's firm determination to present his bill suspending induction of fathers into the armed forces was temporarily stopped by the refusal of Senator Vannoy to set aside his Informer Suit Bill which had first place on the calendar. The Vannoy measure would outlaw damage recovery suits by individuals in connection with frauds in government contracts. Most heated discussion yesterday was over reports that Canada is demobilizing divisions of her home defense. Senators argued, as a consequence, against the necessity of drafting American fathers when an ally could release some of its men. President Roosevelt, however, said later that the Canadian divisions demobilized were organized when the Japanese occupied the Aleutians simply as a bulwark against further encroachment, and Defense Headquarters at Ottawa today said it would involve no let-up of the Dominion's overseas program. But despite Congressional displeasure at the Canadian action, Administration leaders, armed with parliamentary precedence and reports that the President is definitely against the Wheeler Bill, prevented any definite action on the measure yesterday. Today a session of the Senate Military Affairs Committee will hear Undersecretary of War Patterson; Lt. Gen. McNarney, Deputy Chief of Staff; Admiral King, Commander-in-Chief of the U.S. Fleet; and Maj. Gen. Hershhey, Director of Selective Service, testify on the need for the induction of fathers. Other matters before both the Senate and the House yesterday were bills providing various benefits for war veterans and the President's message informing Congress that, in his opinion, the so-called "subversive rider" to the Urgent Deficiency Appropriation Bill is not binding. This rider would arbitrarily remove from the Federal payroll without trial three employees accused by the House Kerr Committee of subversive activities.



TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25



OFFICE OF THE DIRECTOR

September 15, 1943

MEMORANDUM TO THE SECRETARY

There is submitted herewith the weekly report of Lend-Lease purchases.

As the result of a decision by the Chiefs of Staff that certain tanks for the United Kingdom are to be produced in this country rather than in England, Lend-Lease contracts for transmission parts totaling \$2,300,000 have been canceled.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF SEPTEMBER 8, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$3875.2 (3875.2)	\$1931.8 (1931.8)	\$1557.0 (1557.0)	\$103.4 (103.4)	\$11.0 (11.0)	\$272.0 (272.0)
Purchase Authoriza- tions (Requisitions)	\$3002.1 (2982.7)	\$1599.4 (1585.7)	\$1231.9 (1230.3)	\$36.6 (36.6)	- -	\$134.2 (130.1)
Requisitions Cleared for Purchase	\$2934.5 (2921.6)	\$1562.0 (1554.4)	\$1208.0 (1207.2)	\$36.5 (36.5)	- -	\$128.0 (123.5)
Obligations (Purchases)	\$2871.9 (2859.6)	\$1541.5 (1534.1)	\$1184.8 (1181.9)	\$36.4 (36.4)	\$7.6 (7.4)	\$101.6 (99.8)
Deliveries to Foreign Governments at U. S. Ports*	\$1252.2 (1236.3)	\$864.4 (849.3)	\$356.3 (355.5)	\$18.3 (18.3)	- -	\$13.2 (13.2)

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

Note: Figures in parentheses are those shown on report of September 1, 1943.

*With the Compliments
of
The Honorable R. H. Brand*

FROM:
AMERICAN BANKERS ASSOCIATION
THE NEWS BUREAU
Lester Gibson, Director
22 E. 40th St., New York 16, N. Y.
9/11/43

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ADDRESS

By The Honorable Robert Henry Brand, Managing Director, Lazard Brothers & Company, Chairman of the Board, North British and Mercantile Insurance Company, Ltd., Chairman, British Food Mission to the United States, delivered before the War Service Meeting of the American Bankers Association, New York City, September 15, 1943.

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The last time I had the honor of addressing the American Bankers Association was at Atlantic City in, I think, 1917. That is 26 years ago. As in this war, I was then acting temporarily as a British Government official in Washington. In the last war I was looking after munitions; in this war, food. But my normal profession for the past 35 years has been that of private international banking, a profession which is accustomed to criticism but which I know to be a most honorable and useful one. In the course of these exceedingly troubled 24 or 25 years I should, like the rest of us, have learned a great deal more than we knew before about the world in general, and about monetary and economic affairs. But I have to confess that such is the complexity of the world, so limited is human foresight, that I feel far less competent to forecast the future now than I did 26 years ago. I may have more prudence, but in consequence possibly less power to interest you. Nevertheless, I shall venture to give you a few reflections on certain after-war economic and monetary problems which face all of us, though the subject is so large that I can do no more than sketch with the very broadest brush. It should, however, be possible to place certain problems common to all of us in perspective, to see some of the wood at any rate instead of getting lost in the trees.

What sort of a world do we face after the war? We have, in my opinion, to bear in mind that during it our peoples have had full employment and high wages.

After it they will not be content with less without a very great struggle. It is perfectly true that full employment under war conditions could not be very long maintained; that it is only secured at the expense of the gradual deterioration of a nation's capital, and of sacrifices on the part of the population which in peace time they would not endure, and that if such conditions were long continued they would lead to a breakdown. But it can be retorted that the war has at least shown how immensely national production can be increased, if only there is an assured market. In wartime, this market arises from government orders of all kinds. But in peace time, if we could only tap it, there should also be an assured market in all the unfulfilled wants of the ordinary man and woman. Thus it will be argued that if under our present system this unfilled demand cannot be married with this potential power of supply, so much the worse for the system, and we had better try another one. So, as upholders of the present system, we shall be on our mettle.

I can perhaps divide the problem facing each great industrial country into an internal and external one. An internal market for a country's productive capacity can be found by enabling each consumer to obtain what he requires for as high standard of living as the possibilities of production coupled with its foreign trade allow. And by "obtain" I mean "earn" by work profitable to the community and not obtain by charity. That indeed is the crux of the whole problem. In wartime the government is the market. It does not have to earn the means to buy. It takes it through taxation and loans. In peace time the wants of millions of consumers make the market. How can they earn the means to buy? By finding employment and thus doing in one of a myriad forms services to the community. How then can each individual in the community be put in a position to perform such services for the community as will in return entitle him to such a share in its productive output as will give him a good living? For, I repeat no general solution is to be found through charity either for persons or nations. Both persons and nations must pay and be enabled to pay their way. Take for instance the standard of living of your

Southern population which is lower than that in the North and should be raised. The problem then is, how can each consumer in the South be enabled to perform services to the community sufficiently valuable to entitle him to increase his purchases and in this way to help keep your productive capacity employed? Obviously, that is a many-sided question, into which I cannot enter here. It faces one indeed with every problem which plagued us before the war. But its basis is the consumer. Must the problem be solved by the state, as in Russia, so to speak, knocking together the heads of each citizen as consumer and producer - in other words deciding what the consumer wants and then by state enterprise doing its utmost to see that that amount is produced and distributed - or can we solve the puzzle through private enterprise, more like bees in a beehive?

A similar question arises in the external sphere. How can a nation with productive power on the one hand and wants which can only be fulfilled from abroad on the other, be enabled to buy what it wants by selling to other nations what they want and what it can produce more efficiently and more easily than they can? We all know that the great benefits of international trade could be greatly increased, if we could only devise the framework, in which such trade could prosper. Again this is not a matter of charity but, as in the case of the individual, is to be solved by the exchange of goods and services, at bottom indeed by bilateral or multilateral barter. The exporting country cannot give away its exports for nothing; at least it will not do so for long. On the other hand, no upstanding country will accept charity. In other words, the exporting country cannot be paid except by imports. It may decide indeed it will balance its position by importing gold, or of course it may lend its exports over a long period. But I would point out, and this I believe to be important, that its power to lend will again depend ultimately on its willingness to import. For only by importing can it receive interest and redemption payments, and if it does not receive these it will not go on lending. England, for instance, could lend great sums over many years in the 19th and 20th centuries

because she was also a great importer.

While there is no single or easy solution for these great problems, it is not difficult to indicate certain conditions without which they cannot be solved.

The first condition is, of course, that the world must be really at peace and that confidence in the long term outlook should be restored. It is wonderful how soon, given a chance, optimism returns to the enterprising. Nevertheless, political insecurity undermines confidence and subjects enterprise to risks which are incalculable and beyond the capacity of any but governments to bear.

The second condition is that something like internal stability, whether of production, employment, prices, relation between supply and demand, and other economic conditions, shall be maintained in the great industrial and trading countries and particularly, because of its overwhelming economic strength, in the United States.

The third and of course very closely related to the second is that stability of exchanges among these nations, in other words equilibrium in the balance of payments as a whole, including loans, shall also be maintained.

Stability and equilibrium, whether internal or external, in this world of endless, continuous, daily, and hourly change are of course relative terms. Nevertheless the immensely injurious effects of their opposites in the form of inflation and, perhaps still worse, deflation, booms and slumps, trade cycles, fluctuating exchanges and so on, are obvious to every one. It is difficult to see at any given moment whether all the most important economic factors are in equilibrium. I remember for instance that good judges thought that you were set on a permanent upward path in 1929. But in practice somehow in a very rapidly ascending scale of prosperity something gets out of step. It is the getting out of step which matters though it may be very difficult to define. If all the keys of the piano are in tune, then the tune can be played. But if even one of the keys goes wrong, then harmony is lost and confusion begins to reign.

Now if one takes first the question of internal stability in the great industrial countries after the war it is obvious that the greatest difficulties will face all of us. This war, still more than the last, though that was bad enough, will leave the waves of the world's economic ocean in the form of all sorts of disequilibria very high and they will only gradually subside. In your country and mine, for instance, we shall have a very large purchasing power in relation to the level of controlled prices and at first a very intense demand. If all the gates are opened, and all controls lifted, there is likely to be a great inflationary rise of prices at once and a temporary boom. As demand diminishes, that boom may collapse with disastrous results. And yet, with millions of men and women seeking new work, a slowly diminishing control and a more moderate expansion may be exceedingly difficult politically to enforce, particularly since it will be imperative that the demobilized population shall be quickly absorbed. Take again agricultural production. In order to feed hungry occupied nations in the next few years we must necessarily step up agricultural production everywhere in reach. But when peace returns these hungry nations will at once set about with zeal producing once more the normal amount of their own foodstuffs. Thus scarcity might in certain directions before long turn into superfluity. There are indeed obviously possibilities of great ups and downs in the field of primary products, particularly foodstuffs, which will require carefully guarding against. Take again the fact that many nations have been upheld by lend-lease and mutual aid in order that they shall put forward their utmost efforts as belligerents. Immediately to adjust themselves so that they can meet out of their own exports, which may have dwindled to practically nothing, their absolutely minimum import needs to maintain their livelihood will be impossible. They must necessarily be given a little time to turn round, if chaos is to be avoided. If a man has suffered from a high, prolonged, and exhausting fever, he cannot be expected to get out of his bed and pursue his normal avocations the moment his temperature drops to normal.

These and many others will be the abnormal problems arising out of the war and are altogether apart from the longer term aim which we must also keep before us of minimizing what one may call the normal evil of the trade cycle.

That comparative stability should be maintained internally in each country, and severe inflation or deflation avoided, is the most fundamental need of all. Owing to the preponderant influence of your great country on the rest of the world, this is more important here than anywhere else and can only be secured by the wise control of events by the government, by the banking system, and by industry. No international monetary schemes, such as those I refer to later on, can be successful, except as a part of a much larger policy designed as a whole to secure normal stability in the most important countries. For since they aim by means of stabilizing exchanges in relation to one another in binding nations together, just as the gold standard did, so the economic changes in one nation will be transmitted to all the rest, and particularly since you are so much the most powerful nation economically your ups and downs will affect us all. Therefore we are deeply concerned both with your stability and your prosperity. On the other hand, by the aid they give towards stable exchanges and by facilitating international trade, such plans will make other obstacles in the way of expansion and full employment so much the easier to overcome.

It is upon this problem of the world's external monetary arrangements that I wish now to say a few words. It is, of course, as a contribution towards going some way to solving it that the British, American, and Canadian governments have recently published certain plans for a clearing union, a stabilization fund and the like. As an international banker they naturally have the greatest interest for me, and I am sure they must have for this audience. I must make it clear, however, that officially I have had and have no concern whatever with them. The following remarks therefore are of a wholly personal character. Nor do I intend to discuss or compare any of their complex details. My object is to set out certain general considerations which must be held in mind in any examination of them.

Even supposing the first wholly abnormal post-war period is safely past, we shall face a world in which few countries have many or any liquid reserves representing an internationally acceptable means of payment. With its immense gold stock and strong creditor position the United States will of course represent the one country of impregnable liquidity. There will be, no doubt, other creditor countries also. There will be others which produce gold and which will have, therefore, to that extent an acceptable international means of payment, so long as the U.S. Treasury continues to buy gold at a fixed price. There may be others, such as some occupied countries, which will also have retained reserves of gold or dollars. But speaking generally, the great bulk of countries, including the United Kingdom, will have quite insufficient international reserves for any freedom of action. How different for instance is the position of the United Kingdom in this respect from that which it held when I first went into the city some 35 years ago. Then we were lending the world about £200 millions, or say \$800 millions a year. We had very great liquid foreign assets. The Bank of England had only to raise the rate of interest and gold flowed in from all the world. As has so often been said, the world's standard was then a sterling standard. But two great wars have wholly changed the picture. Our liquid foreign assets are gone; our indebtedness to foreign countries or countries within the British Commonwealth grows daily at a great pace. Nevertheless, our need for imports on a very large scale and consequently our necessity to export and for some liquid international capital to finance this great foreign trade have all grown also. Other countries in their degree are in the same position.

How then is prosperous international trade to develop? How are we to get that expanding world economy, that full employment on which all public men and economists rightly lay such stress? How, for instance, are the world-acclaimed resolutions of the International Food Conferences to be carried out if the nations which need ampler food imports cannot buy them in sufficient amounts because their

exports are not great enough and because the nations which produce surplus supplies of food cannot in their turn sell them?

A truly flourishing international trade requires stable exchanges; stable exchanges require that each nation shall have sufficient liquid reserves to protect its position through seasonal or cyclical fluctuations. Moreover, international trade will flourish best under conditions of freedom and non-discrimination. Every one agrees that multilateral trade is immensely to be preferred to bilateral clearing arrangements, bilateral compensation, multiple currency devices, blocked accounts and so on. But nations do not adopt and develop these methods because they like them or because they want to damage other nations, but because they feel forced to adopt them when they have no reserves, no means left both to maintain their exchanges and yet develop their foreign trade except by methods which in one way or another approximate to barter. These methods may be barbarous compared to a truly international system. I am convinced they are. But, unless we can develop some workable international system, they may be inevitable.

I take it, therefore, that all the different plans put forward for an international clearing union or for stabilization have as their first and primary aim to provide all the nations, members of such schemes, with liquid reserves, i.e., with sufficient international purchasing power.

Such reserves, on which they can come and go, are necessary for various reasons. In the first place, international buying and selling is never absolutely balanced. Some nations have deficits, others surpluses. Temporary deficits which liquidate themselves are financed by the mechanism of short term banking credits. On the other hand, when the deficit is more permanent, for example, where it is due to the requirements of a rapidly developing country, long term loans from the surplus countries are necessary. A good example is the case of your own country, into which England, when she was the greatest surplus country, poured loans and investment money during the 19th century, and which helped to enable you to turn yourselves

from a debtor to a creditor country.

But there is a third set of causes which an economist writer in the "London Times" recently defined as the most vital problem of our age. We all talk of an expanding economy, of full employment, and so forth. But how do we secure them? Suppose that a highly developed country, aiming at these desirable ends, were to maintain a high level of activity within its own borders. Its imports, as all experience shows, would as a direct consequence greatly increase to the benefit, of course, of the exporting countries. But unless the rest of the world were to achieve a similar state of activity and to buy the importing country's exports to an equivalent degree, the result would be that it would face a deficit. Under the old gold standard it would have lost gold and by this method either other countries would have been encouraged to increase their activity or the country losing gold would have had to restrict its activity. The gold standard in fact forcibly kept them in step. But the masses who are thrown out of employment by such an automatic system, which secures, as it does, equilibrium by at any rate temporary restriction, deflation, poverty and unemployment, demand in these days that their rulers shall examine whether the intelligence of mankind is not sufficient to secure that nations who wish both to buy and sell much more than they are doing cannot find some other and more rational means of maintaining equilibrium. If this is to be possible, expansionist countries must be able to rely on some international system of credit which will allow also of expansion in other countries so that the increase in their imports from the world will be quickly balanced by the increase of their exports to the world, and so that meanwhile they will possess liquid reserves with which their imports can be for the time being financed.

This is, I repeat, presumably, the main object which the British, American, and Canadian schemes all have in mind. The provision of liquid reserves for all member countries will enable them at least to start off with some confidence. What happens in the longer run depends on the capacity of each member

country to conduct its affairs with prudence and also with an eye to its duties as a good neighbor.

For it must be recognized that these plans only provide a starting point. If nothing like equilibrium between countries can be achieved and if, even after taking into account international lending, some countries remain permanently in debit and others similarly, of course, permanently in credit, then there is no reason why the creditor country or countries should not absorb all the international reserves provided by these plans just as you have over a series of years absorbed \$25,000 millions of gold, and thus bring them to an end.

In the words of the British plan, "Measures would be necessary to prevent the piling up of credit or debit balances without limit and the system would have failed in the long run if it did not possess sufficient capacity for self-equilibrium to secure this."

The British plan proposes much larger and more generous international reserves than do the other two. It proposes the creation of an international currency to be called bancor and for quotas of bancor to be distributed to each member nation by the Union. Thus by this means what are called impersonal and anonymous credits are provided. There is, therefore, no immediate new indebtedness as between one member state and another, only potential indebtedness. And indeed member countries are never indebted as between one another, but are in debit or in credit to the Clearing Union as a whole. In other words, all debits and credits are pooled. A country which is at any one moment owed by all countries together an amount equal to what it owes all other countries is "out." It will be in debit to some countries and in credit with others, but if both sides of the ledger of the Clearing Union balance it has nothing to pay or to receive. On the other hand, a country which is in debit as a whole is in debit only to the Clearing Union, and a country which is in credit as a whole looks only to the assets of the Union as its security. Those assets will of course be in the main the I.O.U.'s of the countries in debit as a

whole. In other words, the plan is based on a real pooling principle. I believe myself, if we are to have, as we all wish to have, multilateral trade, this pooling principle is fundamental. It rests on the assumption that equilibrium, and not simply current account equilibrium, but equilibrium as a whole, including international lending, is the target, and that for one country to have year in and year out a net surplus on its international transactions as a whole to obtain payment for which it feels bound to press for the permanent transfer to it of other countries' liquid international reserves, is as undesirable as it is for another country to have a permanent deficit; in fact, that the deficit is merely the shadow of the surplus and vice versa. Under the pooling principle it would be immaterial with which country another country traded. If one's exports, whether of goods, services, or capital, with all the world balanced one's purchases, one would have accomplished one's duty. If, on the other hand, a country either ran extravagantly into an unnecessary debit which it had no means of ever meeting or meeting only by severe methods of restriction, or, to take the opposite case, if a country sold far more to the world than it bought from the world and insisted on payment by means of forcing restriction and deflation on others, then both would be acting in an anti-social manner. Thus to provide countries with liquid international reserves is only half the battle. It is necessary that both surplus countries and deficit countries should, so to speak, observe the rules of the game and keep within bounds both on the credit and debit sides. This of course is far easier said than done. But these plans do not create or add to the difficulties of this problem. It will exist in any case and must face us whatever we do.

Perhaps one may define the underlying idea as being that deficits are not so much a sign, so to speak, of wrong doing, and surpluses a virtue, as they are evidence of different stages of development, or at this moment of time, of temporary poverty due to war sacrifices. It is true, of course, that countries like individuals can try to live beyond their means. As the British plan says, "If indeed a

country lacks the productive capacity to maintain its standard of life, then a reduction in the standard is not avoidable." But what is aimed at in all these schemes is not only that the poorer countries, while being helped, should be persuaded to live within their means but that the surpluses of the creditor countries should not be so used as to deprive the weaker countries of their liquid international resources but rather be so used as to render the whole world, including the stronger countries themselves, more prosperous. Whether any of the plans fully achieve that object only experience can show. What is clear is that the problem is twofold, not one simply of equilibrium on current account, including visible and invisible exports and imports, but is inclusive of the whole question of international lending and the use of surpluses for such long term lending. Both the American and British plans recognize this fact and indicate that further proposals will be made in this respect.

The British plan, being more generous in the provision of the means of international payment, has aroused the criticism that it will impose an undue burden on a creditor country, of which the United States is, of course, likely to be much the largest, by enabling debtor countries in effect to draw upon it too largely. It is argued that the possession of these reserves by the debtor countries might tend towards the United States surplus on its balance of payments becoming too great and that the country would end up not only with too great stocks of gold but too great reserves of the new international currency also.

But of course there is no compulsion on the United States or any other creditor country to have a bigger surplus with the British scheme than without it. Its surplus depends on its own policy. It is true that the international reserves to be provided enable the rest of the world to buy more American and more other exports. But no country need sell unless it suits it to do so. Or, if it does and if it finds a relatively sufficient increase in imports too difficult, it can balance its exports by means of long term loans, as England did for so many decades.

The difficulties that American critics feel arise no doubt largely from the inherent conditions of the American situation. The United States is indeed too powerful a country economically to be always sure even with the best will in the world of being able to be a good neighbor in the sense of being able to prevent its ups and downs seriously affecting smaller countries. The American national income is a large percentage in value of the national income, or national production of the whole world. The United States is very largely self-sufficient. But American industries, great and small, find it valuable to export on a large scale. On the other hand, there is no such compulsion on the United States as there is on the United Kingdom to import very largely in order to live. She has in the past balanced her position in other ways, e.g. by travellers' expenditure, or by loans, and ultimately, and despite of other methods very advantageously for the whole world, by very great purchases of gold. Now it is proposed that she should balance it also by accepting, to the extent that she wishes to have a net surplus, an international token currency. But it should be held in mind that the amount of that surplus and, therefore, the holdings of such currency are within her own power to determine and can always be disposed of by increased imports or loans, or other international services.

We none of us can have our cake and eat it. England cannot get the imports she needs without exporting; the United States cannot export much more than she imports in the way of goods or services unless she lends on long term credit or imports gold, or accepts some other token of international indebtedness. If none of these ways are acceptable, then exports cannot be paid for and must be diminished. All attempts to collect what is uncollectable will merely bring about general restriction and deflation.

Moreover, it must be remembered that unless the capital and labor of a creditor country are already fully employed on internal production, and particularly in times of depression, an increase of exports, even if it were to add to the

creditor country's surplus in the books of the Clearing Union, would have important advantages of its own. Such exports would in the first place have employed labor and capital, which would not otherwise have been employed. But more than that, through what economists call the multiplier, i.e. the additional production, direct and indirect, fostered by the expenditure of the wages of those employed in making such increased exports, the cost of the gold received in payment for them would probably be exceeded two or three times over by the increase in the national income. This advantage which has accrued in the past in respect to exports for which, for instance, you have taken in payment gold, would accrue equally if you were to take in payment an international currency.

In general indeed it must, I submit, be a truism that any system which tends to increase international trade everywhere and thus international prosperity will redound to the benefit of creditor and debtor alike. We all get rich or poor together. As a great creditor the United States can as an alternative to greater imports make larger loans. But, speaking generally, I regard it as more important to buy and sell than to borrow and lend. Of course there is room, when some nations are far more developed than others, for the richer nations to make long term loans to the poorer. (In parenthesis I may say that short term lending should be restricted to financing transactions which are in themselves short term). But such long term lending has its own difficulties. Is it to be by the agency of government or private banks? If the former, all sorts of political questions will come up; if the latter, how far is the private investor prepared to take the risk?

Moreover, I consider certain limiting conditions should be observed in long term lending:-

The first is that the borrowing country should see its way to make the loan sufficiently productive to pay in normal circumstances interest and redemption, and this in turn means that the lending country should buy sufficient imports from somewhere to enable such payment to be made.

The second is that the stream of lending should not be subject to too great variations. Here again the decades of the twenties and thirties have a lesson for us which most of you will remember well. If a borrowing country bases its whole economy on a large golden flow of lending and the flow is suddenly stopped, then it is inevitably thrown into diastrous confusion. Witness particularly the European and South American countries after 1929.

Turning now back to the main question, I should like finally to ask what is the alternative to some attempt to arrive at an international monetary agreement. There have been suggestions that what is called a key-country approach would be simple and more reasonable. By that, as I understand, is meant some stabilization agreement limited perhaps to the dollar and the pound sterling. I think that is too narrow a conception for present circumstances, though it would be better than a mass of purely bilateral arrangements. Much more of the world is concerned than the sterling area. A purely Anglo-American stabilization would leave out the great continent of Europe, which without Russia contains 350 million people and which has an international trade greater than that of Great Britain and the United States together. That this great continent should be saved from the fate which overtook it after the last war is perhaps the most important aim of post-war statesmanship. It behooves all of us, I think, to refresh our minds upon the events which then took place and upon the consequences of the chaos into which European countries were thrown by uncontrolled currency inflation. I had an opportunity both at the Peace Conference and in the years after, through the whole of the reparation and post-reparation, of watching things from the inside. I personally do not hesitate to say that it was in that period that the seeds of the present conflict were sown. It will, therefore, be of the highest importance that as soon as possible after peace all these countries should be brought back into some orderly economic relations as between themselves and with the rest of the world. This necessity, however, leads me to a further reflection. While I am all in favor of the principle of an inter-

rational monetary agreement being arrived at now, I am doubtful whether a plan necessarily framed to suit more or less normal conditions will be able to bear the whole burden of the entirely abnormal needs of the immediate post-war world. It is this period which may be the most difficult to provide for. But, supposing such provision is made, it remains of the highest importance that thereafter the countries of Europe should share in the benefits and responsibilities of any international scheme. The world's peace depends more than anything else on Europe returning as soon as may be to conditions in which stability, employment, and a reasonable standard of subsistence make life tolerable. We must not force these countries into bilateralism and blocked exchanges, still less with huge unemployment and revolution. As an Englishman, I can judge of the pressures which may face these countries from what I know of the conditions of my own country. Let me describe them. To fill our stomachs, to provide the essential raw materials for our home industry, let alone our export industry, we must import on an immense scale. To secure our imports by multilateral trade is what we aim at, and what we consider to be a proper world-policy. That is no doubt why the British Government has elaborated a multilateral scheme. But failing such a plan, we must devise some other. Though it would be a second best, I have no doubt we can secure what we must have by other means. When there is a willing buyer and a willing seller, a transaction can always be concluded. There are 45 million willing buyers in the United Kingdom, and there are more than that number of willing sellers in the world of the goods they want. Moreover, the 45 million buyers can certainly produce the goods which the sellers want in turn, and which will enable them to get paid. It is not possible, therefore, when each party has the goods the other wants, that business should not be done. We have to live, we have to employ our people, and we have to maintain, if we can, our standard of living. Barter and bilateralism are crude methods and unworthy of the stage of civilization we have reached or thought we had reached. We wish to cooperate with all and, above all, with your great country. But needs

must when the devil drives, and the devils of food and raw materials needs, scarcity, and unemployment will drive very hard. Our position no longer allows us the freedom of action we had 30 years ago when financially we were powerful, liquid, and safe, and had plenty of room to turn round. Now we have to find the means to live and to live within our means. I have no doubt we can do it, though we shall have a hard struggle. In the war we have been vastly helped by your lease-lend and by Canadian mutual aid. Only so could we make our total war effort, since we have thrown all our normal means of international livelihood into the common war pot. Nor shall we in consequence, when the bugles blow for peace, immediately be able to pay our way. But I know that it is the determination of the British people to do so as soon as ever possible. Both we and the rest of the world would be the better able to do that if we could all devise some means, fair to all, by which international trade could be continuously expanded. One step, if only one, to that end should be an attempt to elaborate a workable international monetary plan. No one can be blind to the difficulties. But we should remember Robert Bruce and the spider. We have to find our way out of this world of chaos and we can never do it without trying.

To convince oneself that a great scheme of international cooperation of this kind is feasible in the world, as it will be after the war, requires, no doubt, on the part of governments and peoples an act of faith and a sustained magnanimity; a certain greatness of mind. Such magnanimity is particularly demanded from the American people, since the first aim of the plans we have been considering is to assist the weaker and not the stronger, and the United States is by far the strongest. No doubt the first natural reaction of human nature is that if the weak are to be helped it must inevitably be at the expense of the strong. But that need not be so. Let me repeat ad nauseam that we all grow prosperous together and poor together. And unless an international plan of this kind is to the benefit of the United States as well as the rest of the world it will fail. Its object is not to

relieve debtor nations from paying their debts, but to enable them to pay in the only possible way in which they can pay, namely, by an increase of their foreign trade. Its object in addition is to facilitate employment in all countries by the exchange of goods; and employment and an increase of living standards we must all secure at our peril.

The United States might conceivably secure full employment for all its people as a closed economy without any international trade at all. But that is not your aim. You intend to have a great foreign trade and great exports. You can only achieve this if other nations have a great foreign trade with you. You must buy their goods as well as sell them yours. There is no other way of getting paid, and this is true even if you make them in effect long term loans of goods. The ultimate security for any evidence of international indebtedness, whether gold, hancor, unitas, a short term credit or a long term bond, is that it can be converted into real wealth, that is, into something which satisfies human wants. If the creditor wants his money's worth, he must import. There is no other way. The debtor cannot force the creditor to import. As long as he stands ready to export, he has done all he can. Thus the real security that the creditor can obtain depends on himself and not on the debtor. If the creditor is unable to import, then there is nothing the rest of the world can do except in the end not to buy his exports.

I remember many years ago after the last war a very well known English editor, Mr. J. A. Spender, telling me that he was talking to an American business friend about war debts. Mr. Spender said to him, "But which do you want? Do you want our goods or our gold? You must have one or the other." His friend's answer was, "We want neither. We want your money." Mr. Spender could only reply, "Do you think it would help you if we sent over the Aquitania full of British £1 paper notes?" All of us have learned much since those days. Foreign commerce, we know, is essentially the barter; if possible, the multilateral barter of goods. It is to facilitate such barter without adding to the burden of any nation which is the grand

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object of all the schemes I have been discussing.

The American people are called upon by force of circumstances to play the chief role in them. Having been fortunate enough to have spent years in your great country and to have the very closest possible ties with it, I have learned to know it well and I feel no doubt whatever that it will play its part with that breadth of outlook and magnanimity of spirit which is the proper ornament of strength.

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