

DIARY

Book 665

September 17-20, 1943

- B -

	Book	Page
Brooklyn, New York		
See Financing, Government: War Savings Bonds (3rd War Loan Drive)		
Business Conditions		
Haas memorandum on situation, week ending September 18, 1943 - 9/20/43.....	655	234

- C -

Canada		
Quarterly statement and forecast of Canada's holdings of United States dollars - 9/17/43.....		126
Correspondence		
Mrs. Forbush's mail report - 9/17/43.....		94

- E -

Eccles, Marriner S.		
"The Dual System of Banking": Address before National Association of Supervisors of State Banks, Cincinnati, Ohio - 9/17/43.....		115

- F -

Financing, Government		
War Savings Bonds:		
3rd War Loan Drive:		
See also Speeches by HMJr in St. Louis and New York City Lag in sales discussed by HMJr (in St. Louis) and Bell - 9/17/43.....		1
(See also Book 666, page 1 - 9/21/43)		
a) Federal Reserve Bank of St. Louis report.....		11
b) Brooklyn, New York, set-up described by Scripps-Howard newspaper woman: See Book 666, page 6		
"The Road to Victory": Assigned to Treasury by its composer, Private Frank Loesser - 9/17/43.....		90
a) Loesser thanked - 9/29/43: Book 668, page 80 John Golden thanked for cooperation - 9/20/43.....		230

- G -

Gold		
See Lend-Lease: United Kingdom		
Golden, John		
See Financing, Government: War Savings Bonds (3rd War Loan Drive)		

- K -

Keynes, John Maynard
See Post-War Planning: Currency Stabilization
(United Kingdom)

Book Page

- L -

Lend-Lease

United Kingdom:

Gold and dollar figures for August - 9/19/43..... 665 189

Gold and dollar balances and external liabilities:

Chancellor of Exchequer provides fuller information
(confidential)..... 268

Loesser, Frank

See Financing, Government: War Savings Bonds
(3rd War Loan Drive -
"The Road to Victory")

- M -

Missouri, St. Louis

See Speeches by HMJr

- N -

New York

See Speeches by HMJr

- P -

Post-War Planning

Currency Stabilization:

United Kingdom: Chancellor of Exchequer-HMJr
correspondence concerning visit of Keynes - 9/20/43.. 250

- R -

"Road to Victory" (Song)

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

- S -

St. Louis, Missouri

See Speeches by HMJr

- S - (Continued)

	Book	Page
Speeches by HMJr		
3rd War Loan Drive:		
St. Louis, Missouri, before Chamber of Commerce and War Finance Committee, September 17, 1943:		
Reading copy.....	665	16
Walter Head's introduction.....		14
Dinner program.....		13
Drafts.....		26
New York speech discussed by Treasury group - 9/20/43...		200
a) Itinerary: See Book <u>666</u> , page 199		
b) Luncheon guests at Federal Reserve Bank: Book <u>666</u> , page 202		
c) Speech: Book <u>666</u> , page 203		
d) War Plants checked on sales - 9/29/43: Book <u>668</u> , page 82		

- U -

United Kingdom
See Lend-Lease
 " Post-War Planning: Currency Stabilization

- W -

War Savings Bonds
See Financing, Government

September 17, 1943
10:55 a.m.

HMJr: They're terribly pessimistic. The papers greeted me when I got off, "I suppose you came here because the thing's in a slump." Well, I don't know what's the matter but before I leave town I'm going to find out. Somebody has been kidding somebody. I don't know who. But certainly -- Walter Head here says, "Well, we don't know -- we've got a wonderful organization but we're not making the sales."

Dan
Bell: Uh.

HMJr: I talked to the man at the Federal Reserve and neither Chester Davis nor the man in Kansas City are on the job.

B: Yes. They're probably at the Bankers' Convention. I don't know.

HMJr: Well, God damn it! Why go to a Bankers' Convention when we're trying to sell stuff? I mean, their job is supposed to be on the bridge and not out -- they say Chester Davis is in Washington on something to do with post-war planning.

B: Yes, he's on that committee.

HMJr: Why isn't he on the job? And the fellow from Kansas City is in New York.

B: I see.

HMJr: Maybe it's the Federal Reserve that's throwing us overboard. I don't know but there's something wrong. Now, this is what I want you to do, Dan. Hello?

B: Yes.

HMJr: I want you to spend the rest of the day on the telephone calling up everyone of the Federal Reserve people and finding out how they think the thing is going and what they think is wrong.

B: All right.

HMJr: Now, I've got the fellow from the Federal -- I don't know what his name is, coming to see me in an hour.

B: Hitt?

HMJr: Who?

B: Hitt?

HMJr: No, he's not here either.

B: Attebery?

HMJr: Attebery.

B: Yeah, that's it.

HMJr: Now, Attebery -- Ted tells me it's the little fellow that isn't buying -- Attebery tells me it's the big fellow that isn't buying.

B: I see.

HMJr: But, I want you to do that and then I want Gamble and I -- to do -- to order -- uh -- the fellow at the head of our Labor Section....

B: Houghteling.

HMJr: Houghteling -- to ask the Federal -- the C.I.O. and A.F. of L. to make a survey of the country for me. Hello?

B: Yes.

HMJr: And I want that back by Monday if possible. Now, when they make that survey they can kill two stones for -- two birds with one stone -- I want them to be given a questionnaire, "How would the labor people feel on the alternatives -- one, of the Social Security vs. a post-war credit, you see?"

B: Yes.

HMJr: And when they send the thing out on the bond, they can send it out on the other thing. Now what they say here is -- another thing they say -- it's this September 15th tax thing which has bothered everybody.

B: Uh huh.

- 3 -

HMJr: But it's in an awful slump here, Ted.

Ted
Gamble: Yes.

HMJr: You didn't tell me that before I came here. I don't know whether you knew it or not.

G: I certainly didn't know that.

HMJr: But they say that the people are just not coming through. Head is an all-time low.

G: Yes.

HMJr: He said he talked to you yesterday. Now for God's sake, the one thing (interference on the wire) Hello?

G: Yes?

HMJr: I don't want to be kidded. I've told you that ten times.

G: Well, you know everything that we know, Mr. Secretary.

HMJr: Then you don't know what's going on, Ted, and it's up to you to find out.

G: Well, I can tell you this much....

HMJr: You've been sitting there and telling me how lovely everything is. I've told you again and again I want to know. There's something definitely wrong in this big section here. Hello?

G: Yes, I'm listening to you.

HMJr: And it's up to you -- you said you talked to Head -- Head said he talked to you yesterday.

G: I talked to Head yesterday.

HMJr: Yeah.

G: That is correct.

HMJr: Did he tell you things aren't....

- 4 -

G: He did not tell me that. No.

HMJr: Well, anyway, let's get Houghteling on this job and find out those two things.

B: This -- that would be impossible, wouldn't it, to get a survey through by Monday?

HMJr: Well, let's get it started.

B: All right.

HMJr: Let's find out from the Local Unions how they think the thing is going. Is the thing going -- I don't want to plant any defeatism in their heads -- let's just ask them how they think they are going. Are they going to make their plant quotas?

B: I see. (Aside: You got that, Ted?)

G: Yes, I have that.

HMJr: Hello.

G: Yes.

HMJr: But the other thing -- Gaston and Paul could prepare a questionnaire on this question of Social Security vs. the post-war credit. Hello?

G: Yes.

HMJr: Now Gaston and Paul could prepare that for you.

G: Yes, they're listening.

HMJr: Hello.

B: They're listening to you.

HMJr: All right. Now, I've got the head -- Mr. Roberts, the head of the paper coming here -- Mr. Head is here -- and I'm going to ask him what he thinks is the matter. He owns the radio station here.

B: Uh huh.

HMJr: Then in a half an hour I've got C.I.O. and A.F. of L. coming and then at 11:00 o'clock Attebery of the Federal Reserve. When I get through I ought to know something.

B: Uh - you don't want me to call St. Louis?

HMJr: No.

B: You're going to take care of that?

HMJr: No, but....

B: I'll call all the rest of them.

HMJr:says on their war loan the banks have to increase -- their war loan account.

B: You mean increase their designations.

HMJr: Yeah, because they're handling so much business.

B: Uh huh. Well, that is simple.

HMJr: He thinks it's the big subscriptions which aren't coming in.

B: Uh huh.

HMJr: And Ted says it's the little ones which aren't coming in. But that's what I'm out here for and I'm going to find out and when I find out I'll pass it along to you fellows. But let me handle St. Louis while I'm here and that goes for Gamble and for Bell both.

B: Yes, okay.

HMJr: I mean -- I don't want Ted to suddenly get on the phone and barge in on this thing now as long as I'm here. Ted.

G: I beg your pardon?

HMJr: I don't want you to get busy on the phone and do any checking in St. Louis while I'm here.

G: No. I understand.

HMJr: And - I mean let me handle this situation.

G: Yeah.

HMJr: And as soon as I've got it I'll let you know what it is.

G: Yes.

- 6 -

HMJr: If I find out.

G: Yes.

HMJr: And - but we've got two weeks to go and let's get - let's get the facts.

B: All right. Well, I'll call all of the Federals except St. Louis today.

HMJr: And you understand, Ted, please don't check up on me out here, now.

G: No, I understand that.

HMJr: Because -- let me handle this and I'll let you know what the facts are.

G: Fine.

HMJr: And, please, if a situation similar to St. Louis is anywhere else in the country, please let us know.

G: Well, I think you ought to know that I talked to Burgess last night.

HMJr: Yeah.

G: And he had been over to the bank in the afternoon.

HMJr: Yes.

G: And the Federal Reserve Bank in New York advised him that they were between two and three days behind on E Bonds, and that their guess was that every issuing agent was anywhere from two to five days behind.

HMJr: Well, now Head talked with Burgess and D'Olier in New York yesterday.

G: Yes.

HMJr: And both -- I'm reporting only what he tells me....

G: Yes.

HMJr:both Burgess and D'Olier told him that New York and New Jersey were not going well on the little bonds.

G: Yes.

HMJr: Now, maybe this is a local situation, Ted, and I hope and pray that that's what it is. See? Hello?

G: Yes, I'm listening to you.

HMJr: As soon as I have the facts, I'll call back and give you the facts.

G: Yes.

HMJr: But, we're all together sink-or-swim and I'll do the best I can and you've got to trust me to handle the thing out here.

G: Fine.

HMJr: And as soon as I have it, I'll let you know but let's get -- through organized labor let's find out those two things. I mean, if the President says to me -- this is for Paul and Gaston -- "Well, how does organized labor feel about a post-war credit?" I'd like to be able to tell him.

G: Fine.

HMJr: And how they feel about Social Security -- I want to know. I just don't want to have what Paul found out in St. Louis alone.

G: Yes.

HMJr: That's not enough.

G: Yes.

HMJr: Now, does anybody want to contribute -- I'm determined -- I'm not angry -- I am a little upset but we'll win the way we always have but it takes hard work.

G: Well, I think you ought to know, Mr. Secretary, so far as our people in the field are concerned, we're handling them as though we have 9/10th of the job yet to do and have been every night sending them information. We wired them last night that the whole success of this drive depended on their doing the job on the E Bonds and asking them personally to give us a report on it.

- 8 -

HMJr: Well, in the meantime my speech is all -- I'm holding up my whole speech until I can find out what is what.

G: But I think you also ought to know that at this stage of the 2nd war loan drive we hadn't reported so much as a single E Bond sale for the 2nd war loan.

HMJr: Well, that don't seem possible.

G: Sir?

HMJr: That don't seem possible.

G: Well, I'll tell you when it started -- our first reporting started on the 26th day of April. I have the report right in front of me.

HMJr: Yes.

B: You mean the increase.

G: The increase. The 26th day of April before we showed any response to the reporting of individual sales. We had a four hundred million dollar week that week on E bonds.

HMJr: Well, here in St. Louis the banks say they are current.

G: Says they are what?

HMJr: They are current.

G: They are current?

HMJr: Yeah.

G: Well, they may be current, but the issuing agents may not be current.

HMJr: Well, this man Attebery is calling up moving picture houses, drug stores and everything and then he is coming out to see me.

B: There is bound to be a lag in the E bond -- in the issuing of the savings bonds.

HMJr: I hope that everything is lovely, but I'm going to find out. That's what I'm out here for.

G: Well, there's no harm in that, sir, certainly.

HMJr: What's that?

G: I say that there -- that's certainly the thing to do.

HMJr: And as soon as I've got the good or bad news, I'll call back.

G: Well, we're going on the assumption here, and have to go on the assumption, Mr. Secretary, that it's bad.

HMJr: All right.

G: So far as the E bonds are concerned until they start to be good.

HMJr: Okay. All right.

B: Well, we may have something to report when you call back.

HMJr: All right.

B: From the other districts.

G: Now, on this O.W.I. matter

HMJr: Yeah.

G:it'll be in about fifteen or twenty minutes yet before I can give you that....

HMJr: Well, phone it in to Fred Smith....

G:but I'll phone it in to him the minute we get it.

HMJr: Right.

G: All right, sir.

B: Hello?

HMJr: Right.

B: Gaston wants to know if you want him to do anything about your speech.

- 10 -

HMJr: I can't hear you.

B: Gaston wants to know if you want him to do anything about your speech at this time.

HMJr: I -- I'm sorry -- I don't know what you're saying.

B: Gaston....

HMJr: Yes.

B:want to know -- if you want him to do anything about your speech....

HMJr: No.

B:at this time.

HMJr: No - no, the speech is not written yet.

B: All right.

HMJr: No.

B: Then you'll give him instructions when you want him to work on it.

HMJr: Right. All right, ask Mrs. Klotz if she'll go to her room.

B: All right. She's going.

FEDERAL RESERVE BANK
OF
ST. LOUIS
(2)

September 17, 1943

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Park Plaza Hotel, Room 1504
St. Louis, Missouri

My dear Mr. Secretary:

We have contacted a number of the larger war plants issuing E Bonds and with one exception, which will be brought to the attention of Mr. Head, sales are running well ahead of the April Drive.

None of the plants contacted knew anything about quotas. One stated sales will be two to three times larger than during the Second War Loan Drive; another expects sales to be far above the April Drive; another feels confident sales will show considerable increase over April sales; and one stated that they would be ten times greater than in April.

All of the plants are accounting to us regularly and the backlog of orders should be no more than normal, having in mind increased sales.

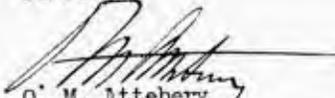
Since talking with you this morning, we have compiled figures which show that sales of E Bonds from September 1 to 15, for the Eighth District, are approximately 27% greater than for the corresponding period in April. This compares with an increase of 30% for the City of St. Louis and 31% for St. Louis County. There is no question, however, but that sales will have to be increased to reach quotas assigned to states. From my observations and contacts, sales of Series E Bonds are coming along nicely, but will require intensive sales efforts the balance of this month.

I regret that in the absence of quotas, I am unable to give you figures along the line suggested this morning.

Hon. Henry Morgenthau, Jr.
Page 2

I was talking with the Managing Director of our Louisville Branch this afternoon and he tells me that there is no question but that Jefferson County, in which the City of Louisville is located, will reach its quota and feels reasonably sure that that part of the state located in the Eighth District will do likewise.

Sincerely



C. M. Attebery
Vice President

Dinner

in honor of

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury

by the

St. Louis Chamber of Commerce

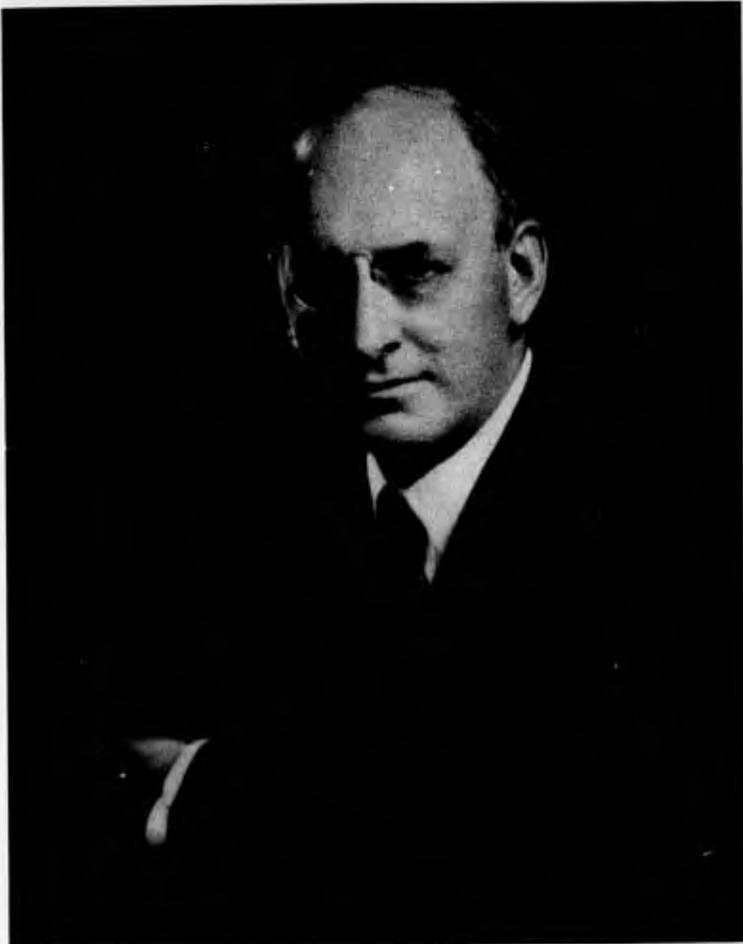
and the

War Finance Committee of Missouri

Friday, September the Seventeenth

Nineteen hundred and forty-three

Chase Club, Hotel Chase



Henry Morgenthau Jr.

Dinner Menu

CHILLED MELON

MIXED OLIVES

HALF-BROILED CHICKEN

GREEN PEAS

PARSLEY POTATOES

LETTUCE SALAD, FRENCH DRESSING

RASPBERRY ICE

CAKES

COFFEE

Program

CHARLES BELKNAP, Presiding
Chairman of the Board, St. Louis Chamber of Commerce

STAR SPANGLED BANNER
Scott Field Air Forces Band

The Rt. Reverend WILLIAM SCARLETT, Bishop of the Diocese of Missouri

Honorable ALOYS P. KAUFMANN, Mayor of St. Louis

Honorable FORREST C. DONNELL, Governor of Missouri

The Bomber Crew, "OLD HELLCAT"

Capt. Henry A. Potter

Lt. Harold A. Kohnert

Technical Sergeant Leo F. Mohensky

Technical Sergeant Harry E. Barr

Staff Sergeant Frank A. Ross

Technical Sergeant Dean B. Smith

WALTER W. HEAD
Chairman, War Finance Committee of Missouri

Honorable HENRY MORGENTHAU, JR.
Secretary of the Treasury

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To:

9-25-49

4

Mrs. McHugh

This is Walter Head's
speech introducing the Secretary
at St. Louis. / You might want
it; also wire from Ernie Pyle
to Secretary while in
Charlottesville. - Filed 9/7 -
FS

Fred Smith
Room 890 $\frac{1}{2}$

file 9/17/43

Mr. Toastmaster, Your Excellency Governor Donnell, Your Honor Mayor Kauffman, Distinguished Guests, Ladies and Gentlemen:

It is a real pleasure, a high privilege and a great honor to present to you our honored guest who very graciously responded to our invitation to bring us a message concerning the Third War Loan Drive in the success of which we are all so vitally interested.

For almost ten years, since January 1, 1934, our distinguished visitor has served his country, and served it well, as the Secretary of the Treasury. During this entire period he has carried a heavy burden of responsibility, for each of these ten years has been fraught with trying and difficult problems. It has been his duty and his great responsibility to handle the financial affairs of the richest, the greatest and the most powerful nation in all the world. During his period of service the world has been torn loose from its moorings, rent asunder by the terrific shock of severe depression, rocked by the terrible impact of global war.

His basic code and his guiding philosophy have been the welfare of his fellow citizens. Evident in his actions are his fundamental faith in the American people and his confidence in the soundness of their judgment.

He has steadfastly held to the belief that the citizens of our Republic are desirous of financing the war on a voluntary basis, that they are able to do so and that they will do so.

Ladies and Gentlemen, I present to you the Honorable Henry Morgenthau, Jr., Secretary of the Treasury.

Mr. Jr's speech before St. Louis Chamber
of Commerce and War Finance Committee of
Missouri on 9/17/43

17 9/17/43

LADIES AND GENTLEMEN:

to Congress

Today we have had a message from President Roosevelt,
our Commander-in-Chief.

As he points out -- and I quote -- "We are in the
midst of the Third War Loan Drive seeking to raise a sum
unparalleled in history -- 15 billion dollars. This is
a dramatic example of the scale on which this war still
has to be fought, and presents some idea of how difficult
and costly the responsible leaders of this Government
believe the war will be." (UNQUOTE)

I may say right here that I am not in the least frightened by this prospect. I am sure that we can get the money. Our national income, this year, will be nearly 150 billion dollars. I am equally confident that the American people will not balk at any cost -- because they fully realize that, the more money we spend on equipment and materiel, the fewer lives will be lost in battle.

It is to start meeting these huge war expenditures that we set up the enormous goal of 15 billion dollars, -- exclusive of banks -- for this Third War Loan.

It is because we have confidence in the American people that we set out, during the month of September, to get 5 billion dollars of this 15 billion from the American people -- from individuals.

Pause

I have heard it said many times that this job cannot be done -- that the people of the United States are too fond of their comfort to skimp and sacrifice -- that they do not have enough knowledge of what this war is ^{about} to dig down and come up with 5 billion dollars. And I can tell you this: This defeatist attitude toward the Third War Loan is being aided and abetted by enemy propagandists, who are busy piling rumor upon rumor. They are passing the word around that subscriptions are falling behind, that the Government will never refund the money you put into Bonds, and even -- and this is the most fantastic rumor of World War Two -- that the war will last only as long as people continue to *buy*

- 5 -

~~buy Bonds.~~

You can take your pick of those rumors. There is not a vestige of truth in any of them. They are all desperate | $\frac{1}{3}$ attempts on the part of the Axis to make the Third War Loan fail at any cost.

Well, I have one report tonight that I should like to pour into Axis ears. Less than an hour ago I had a call from Washington. I learned that the total sales reported to Washington, up to this time, have passed the $9\frac{1}{2}$ billion dollar mark. Do you hear that, Germany? Do you hear that, Japan? The American people, of their own free will, have turned over to the Government, in nine days, a total of more than $9\frac{1}{2}$ billion dollars, or an average of ^{over} 1 one billion dollars a day.

And let me tell you something else. I did some telephoning today to the Federal Reserve System, and I find that the people of America are buying Bonds so rapidly that tonight, in one Federal Reserve District, there are literally millions of Bonds backed up. We simply cannot work fast enough to keep up with the selling pace of the War Finance Committees.

Now all this is good news. It is testimony to the fact that the ordinary people of America -- those that Abraham Lincoln so feelingly called "the common people" -- are really behind the Third War Loan. They are like the local union official who came to see me today. He said: "Mr. Secretary, we are doing everything we can. But that is not enough. I know it. I feel this war, because I have five brothers in it."

- 7 -

Pause

Last night I visited the 6900 block on Berthold Street, here in St. Louis. The very first day of this Third War Loan Drive, every family in every house on this block bought a Bond.

I wish Herr Goebbels, Germany's Number Two Big Mouth, could have visited the homes on this block with me. He would have had a lesson in the American way of life.

Pause

The front door of every house was open. All the lights were on. All the families sat out on their porches -- from grandmothers down to babies. I went from house to house -- and one man offered a big, friendly hand and said: "Howdy, Hank. Give my regards to Franklin when you get back to Washington."

Well, gentlemen, that's Democracy. That's our America.

Pause

How different Germany is!

- 8 -

The typical block leader on Berthold Street is a fine American woman. Everybody loved her and wanted to help her put the block over the top. In Germany, the block leaders are Nazi party members. They come around for contributions, with a couple of Storm Troopers carrying clubs and brass knuckles. They are so thoroughly hated that people escaping from over there say they will be the first men killed when Germany has a revolution. The Germans support the war out of terror. They "contribute," or else they disappear into concentration camps and their families never see them again.

I think our way is better. And so do you.

The rest of the way to our 15 billion dollar goal, I agree, calls for sacrifice -- if by sacrifice we mean doing without a new hat, or a piano, or a beefsteak dinner.

- 9 -

But when I think of the men dying at Salerno, at this very moment, I wonder if it is really a sacrifice to lend your money to the Government. I'm not asking you to give it. I'm ^{simply} asking you to put an extra \$100 into a Bond that is a safer investment even than cash, because the number of every Bond you own is registered in your name at the Treasury.

Sacrifice? Tell that to the youngster who lost *his* legs, or arms, tonight in Italy!

- 10 -

I know that the job ahead of us is hard but let me say flatly, here and now, that I am confident we will reach our goal of 15 billion.

And if the long war ahead makes it necessary for us to have a Fourth War Loan, and a Fifth, and a Sixth -- I am also confident the American people will meet their ~~responsibility~~ responsibility. Realistically. Grimly. ^{and} With determination.

For we all understand, now, how much depends upon us. We know that we must 'Back the Attack.' We must be sure, as our Commander-in-Chief said today -- and I quote -- "We must be sure that we have assembled the strength to strike, not just in one direction, but in many directions -- by land, and sea, and in the air -- with overwhelming forces and equipment."

(END)

If ever in all history there was a nation that did not want war, that nation was the United States -- two years ago!

Virtually every man, woman and child in this country -- thanks to the education that is possible under Democracy -- knows that war is needless. We can settle our problems with our brains. We don't need to use machine-guns.

The same thing may be said of the nations that are our allies.

When this war started, there were only 11 anti-aircraft guns to protect the whole city of London. I didn't say 11 hundred. I said 11! Millions of Englishmen, in a country-wide vote, had made it clear that they would not support a war. The very attempt to appease Hitler, which we criticized so bitterly at the time, although we were doing the same thing ourselves, was a measure of Britain's desire for peace. Certainly nobody can say that England wanted this war.

The same with Russia. The Russians were trying to lift themselves out of the Middle Ages, leaping over whole centuries in a few years' time. They were building dams and hydro-electric systems; they were teaching themselves to read and write. They were busy with housing projects. War would interrupt their industrial development. They were ready to go to any length to escape or postpone it -- up to and including a non-aggression pact with Germany, the country that threatened them.

Nor can anybody say that China wanted war.

The long centuries of education have borne fruit. Every writer, every teacher for a thousand years ^{had} told us that war is cruel and ~~foolish and unnecessary~~. And at last, ^{we had} ~~because books are no longer chained to the churches or hidden away in the libraries of noblemen, all of us know that to be true. We have learned the lesson. War is needless.~~

Then why -- if war is needless -- are we at war?

For one reason
~~We are at war because we made a mistake.~~

In a sense, it is a mistake of which we may be proud.

~~It is a mistake that could only be made by a Democracy.~~

We were so sure, ^{*we didn't want war that we*} in our Democracy, ~~that all men were free and equal, that we thought ^{*thought nobody wanted it*} all countries felt about war as we did.~~

~~We were stupid enough to want anything ^{*as*} as ghastly and horrible as war.~~ Was there, anywhere on earth, a mother mad enough to want to see

her son wounded, or blinded, or killed? No; a mother like that would be a monster. Was there, anywhere on earth, a father vicious enough to want his son to crouch behind a machine-gun and commit murder? No; a father like that would be a monster.

And Monsters, like dragons, were creatures of legend, we thought -- creatures out of the age of fable.

We were sure there were no monsters in our modern world!

We found out that there were!

~~So today we are at war -- the strangest war in the history of mankind. For all of us who are fighting it, except the Germans and Japanese, knew that it is unnecessary.~~

So, today, we are at war.

The waste of it! The sheer waste!

We will spend for war, ^{during} this year alone, a hundred billion dollars. Think of ^{what} ~~the things~~ we could do with that money!

Take public health, for instance. If we spent ^{only} a billion dollars a year for ten years -- ~~a total of ten billion dollars~~, or one-tenth

of the hundred billion we will spend this year ~~alone~~ on the war -- we could build ^{enough} hospitals ^{to give us} ~~providing~~ 360 thousand beds. We could build ⁵⁰⁰ ~~5 hundred~~ health centers. ~~Added to the facilities we already have,~~ ^{and give supply} ~~could put~~ a full-time health service ^{to} ~~in~~ every community in the United States. We could ^{provide full} ~~provide~~ full care ^{for all American} ~~both before and after the~~ ^{mothers and their babies who need such care at childbirth.} ~~birth of their babies, for all the American mothers who do not~~ ~~now receive such care.~~

We could have all the local and State cancer clinics we need. We could probably wipe out venereal disease, ~~altogether~~. We could ^{not certainly put an end to} ~~probably wipe out~~ tuberculosis. We could put aside 10 million dollars for mental hygiene and 20 million for industrial hygiene, making sure that the people in our factories worked under healthy, safe conditions.

We could do all that ^{and many other things} with 10 billion dollars. ^{And in} ~~on~~ this war, we are spending roughly ~~10 billion dollars~~ ^{that amount every} month!

Think of the housing we could build with 100 billion dollars.

Think of the automobiles we could buy with 100 billion dollars.

~~And think of this~~ ^{If we are spending the money on war} ~~But we aren't getting~~ ^{instead of} ~~We aren't getting~~ ^{or} ~~the~~ cancer clinics, ^{the} housing, ^{the} auto-

mobiles, ~~for one reason and only one reason~~ -- because the Germans and Japanese have taken them away from us!

^{because Germany} ~~and Japan have forced us into~~ ^{regarded} ~~the war~~

1 This war unnecessary? ~~When a hold-up man jabs a pistol into the small of your back, saying something about it becomes necessary.~~

If This war is necessary because the Germans and the Japs have made it necessary. ~~We've got to win it if we want to live.~~ *If it is necessary if we value our lives. If we forget that, we may lose and our lives!*

Drifting and dreaming along, blandly certain that nobody would ever attack us, we ~~Americans were in a frame of mind, when the war began, which can still lose it for us. Yes, lose it!~~ *nearly lost this war at the start.*

~~The Army was sound asleep at Pearl Harbor.~~

~~So was the Navy.~~

After the Japs over-ran the Phillipines, our troops fought bravely -- but that does not alter the fact that in the Phillipines too, we were caught napping. *blown to bits* Virtually every plane we had there was ~~bombed to pieces~~ on the ground.

The point I am making that a certain frame of mind ~~Believing that this war isn't necessary, believing it isn't necessary to kill and kill and destroy in order to win -- can cause us to lose.~~ *that we don't need to hate we still lose*

If, as you hear me speak these words, you say to yourself, 'Oh, but we'll win, we're winning,' then you are in exactly the frame of mind ~~which~~ *which can still lose the war for us.*

It is exactly the frame of mind Germany wants ~~you to be in.~~ *us to stay*
The German propaganda experts go to any length to get Americans to thinking ~~that Germans are great, good people.~~ *that way.* They ~~have gone so far as to send photographs of American flyers' graves to the flyers' mothers and fathers here in the United States. The photographs are to prove that they are burying American flyers in neat, graves, in well-kept cemeteries.~~ *dead*

The flyers are expected to say, "If the Germans are that good, they should love and respect my boy, they should be so good."

-5-

And that is just what the Germans want. They want to keep as many Americans as possible from hating them -- because, if we don't hate them, we won't fight ~~well~~ ^{as} support the war. Our soldiers won't fight well, ^{We can be} ~~and they'll be~~ ^{able to} ~~able to kill our boys~~ more easily.

Both the Germans and the Japanese know ~~that~~ it's hard for Americans to learn to hate.

And, when you don't hate, ~~on the battlefield, you die.~~ ^{in battle, you're easy game. You die.}

-5-

We haven't seen the enemy at work. We haven't been bombed. We have seen pictures of bombed buildings in Hamburg ~~xxx~~ and London, but they have only been pictures. We have never dragged the torn bodies of our own relatives out of such buildings.

The British know what they are fighting for because they have been in this war a long time, 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.

B ~~Our troops learned slowly. When American soldiers were first sent abroad, enemy prisoners marveled at ~~xxx~~ the thoughtlessness with which they moved. They couldn'~~

It took awhile for the American soldiers to learn to hate. At the Kasserine Pass, in North Africa, scores of them died because they learned too late.

Let me quote from an eyewitness description of that battle. These are the words of a private who was there. I quote:

-67

under his chute. That is German efficiency. If they can kill ^a our pilot before he lands safely, he won't fly ~~against them~~ again.

If ^{we} ~~could~~ ^{we} ~~saw~~ ^{we'd} ~~that~~ ^{happen,} ~~you~~ ^{we'd} ~~see~~ ^{get} ~~that,~~ ~~xxxxxx~~ ^{we'd} ~~xxxxxx~~ ^{get} ~~xxxxxx~~ ^{over} ~~xxxxxx~~ ^{our} ~~xxxxxx~~ ^{own} ~~xxxxxx~~ ^{notion} that the German boys are decent, ^{honorable} ~~xxxxxx~~ ^{youngsters} like our own.

Or you ~~watch~~ ^{we might see} an American ~~xxxxxx~~ medical corps man ~~xxxx~~ crawl out to ~~take~~ ^{carry} water and medicine to a wounded German in the field. Then ~~we'd~~ ^{we'd see} a German machine gun ~~that has been waiting for him~~ ^{open} up and chop ^{him} ~~him~~ ^{to} ~~bits~~ ^{bits}. The Japs are very good at that, too. They ~~xxxxxx~~ ^{have} ~~send out~~ ^{very} ~~xxxxxx~~ ^{one} ~~kill~~ ^{of} Red Cross men ^{they see}.

In the First World War we heard ~~hundreds of~~ ^{many} atrocity stories. After the war we learned ~~xxxx~~ most of them were untrue. In this war ~~there~~ ^{and} ~~aren't~~ ^{any} ~~atrocity stories.~~ the conduct of the ~~average~~ ^{average} German ~~or~~ ^{or} Japanese soldier ~~xxxxxx~~, day after day, is more ~~xxxx~~ ^{shocking} than any ~~xxxxxx~~ ^{atrocity} story.

~~They don't just capture a village. They burn it to the ground. They don't just shoot prisoners. They torture them. They go out of their way to impress us with xxxxx horrible cruelty. That way, they ~~deliberately~~ ^{deliberately} they'll frighten us out of the war.~~

Only two days ago the newspapers reported that the Germans at Salerno were advancing under white flags of truce & then throwing down the flags and attacking. In this war, such ~~treachery~~ ^{treachery} doesn't even shock us. I'm glad to say it didn't fool our soldiers, either. They killed the Germans.

-6-

"I know so well those men who were cut to ribbons at the Kasserine Pass, and I knew 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?'" (Unquote.)

It takes a long time for Americans to learn to hate.

But we had better learn fast, now -- all of us -- just as our soldiers and sailors have had to learn.

How are we going to do it?

If we could all take a trip to the front, it would be easier. We'd see an American fighter pilot, with his plane in flames, take to his parachute. Then we'd watch while half a dozen German planes circled back and machine-gunned him as he ~~taxi~~ dangled helpless

If ever in all history there was a nation that did not want war, that nation was the United States -- two years ago!

~~Virtually every man, woman and child in this country~~ Thanks to ~~the~~ education, ~~that is possible under Democracy,~~ ^{we of the ~~in~~ democracies,} know that war is needless. We can settle our problems with our brains. We don't need ~~to use~~ machine-guns.

^{This is true not only of us, but of}
The same thing may be said of the nations that are our allies.

When this war started, ^{for instance} there were only 11 anti-aircraft guns to protect the whole city of London. ~~I didn't say 11 hundred. I said~~ ~~11~~ Millions of Englishmen, in a country-wide vote, had made it clear that they would not support ~~a~~ war. ~~The very attempt to oppose~~ Hitler, which we criticized so bitterly at the time, although we were doing the same thing ourselves, was a measure of Britain's desire for peace. Certainly nobody can say that England wanted this ~~conflict~~ ^{conflict}.
~~The same with Russia.~~ The Russians were trying ^{valiantly} to lift themselves out of the Middle Ages, leaping over whole centuries in a few years' time. They were building dams and hydro-electric systems, they were teaching themselves to read and write. ~~They were busy with~~ housing projects. War ^{only} could interrupt their ~~industrial~~ development. They were ready to go to any length to escape or postpone it, ~~up to~~ and including ~~a non-aggression pact with Germany, the country that~~ threatened them.

Nor can anybody say that China wanted war.

Every writer, every teacher for a thousand years had told us that war ^{was} unnecessary. And at last we had learned the lesson.

Then why -- if war is needless -- are we at war?

For one ^{thinks} ~~reason~~ because we made a mistake.

In a sense, it is a mistake of which we may be proud.

We were so sure ^{that} we didn't want war that we ^{feared} ~~thought~~ nobody wanted it. Was there, anywhere on earth, a mother ^{insane} ~~smart~~ enough to want to see her son wounded, or blinded, or killed? No; a mother like that would be a monster. Was there, anywhere on earth, a father vicious enough to want his son to crouch behind a machine-gun and commit murder? No; a father like that would be a monster.

And monsters, like dragons, were creatures of legend, we thought -- creatures out of the age of fable.

We were sure there were no monsters in our ~~modern~~ world!

We found out ~~that~~ there were!

And ~~we~~, today, we are at war.

The waste of it! The sheer waste!

We will spend, ~~for war~~ during this year alone, a hundred billion dollars ^{for war.}

Think of what we could do with that ^{vast sum of} money!

^{In} ~~the~~ public health, for instance. If we spent only a billion dollars a year for ten years -- one-tenth of the hundred billion we will spend this year on ^{the} war -- we could build enough hospitals to give us 360 thousand beds more than we now have.] We could build 500 health centers, ^a and supply full-time health service to every community in the United States. We could provide full care for all American mothers and their babies who need such care at childbirth.

We could have all of the local and State cancer clinics we need. We could probably wipe out venereal disease. We could almost certainly put an end to tuberculosis.

We could do all that, and many other things, with 10 billion dollars. And, in this war, we are spending roughly that amount every month!

Think of the housing we could build with 100 billion dollars!

Think of the automobiles we could buy with 100 billion dollars!

We are spending the money on war, instead of cancer clinics, or housing, or automobiles, because Germany and Japan have forced us

~~into the~~ *to go to war.*

This war unnecessary?

This war is necessary because the Germans and the Japs have made it necessary!

It is necessary if we value our lives *and our freedom.*

If we forget that, we may lose ^{both} the war and our lives *and freedom.*

Drifting and dreaming along, blandly certain that nobody would ever attack us, we nearly lost the war at the start.

Remember Pearl Harbor! Remember the Philippines!

After the Japs over-ran the Phillipines, our troops fought

bravely -- but that does not alter the fact that in the Phillipines, too,

practically ~~virtually~~ every plane we had was blown to bits on the ground.

Believing that this war isn't necessary, believing that we don't need to hate and kill in order to win -- we can still lose.

If, as you hear me speak these words, you say to yourself, 'Oh, but we'll win, we're winning,' then you are in the frame of mind which can lose the war for us.

It is exactly the frame of mind Germany wants us to ~~accept~~ ^{have}

The German propaganda experts go to any length to get Americans to ~~think~~ ^{feel} that way. They even send photographs of dead American flyers' graves to the flyers' mothers and fathers here in the United States. The photographs show ^{the arranged} graves in neat, well-kept cemeteries. The flyers' parents are expected to say, "If the Germans are showing that much love and respect to my boy, they can't be so bad."

And that is just what the Germans want. They want to keep as many Americans as possible from hating them -- because, if we don't hate them, we won't support the war. Our soldiers won't fight as well. ^{will let them kill us} We can ~~be killed~~ more easily.

Both the Germans and the Japanese know it's hard for Americans to learn to hate.

And when you don't hate, in battle, you're easy game. You die.

^{It is hard for us to learn to hate.} We haven't seen the enemy at work. We haven't been bombed.

We have seen pictures of bombed buildings in Hamburg and London; ~~but~~ ^{yes} they have only been pictures, ^{to us} We have never dragged the torn bodies of our own ^{loved ones} ~~remains~~ out of ^{bombed} buildings.

The British know what they are fighting for because they have been in this war a long time. They ~~British~~ ^{savagely} fight ^{for} their very lives; they fight to stop the Germans from bombing their homes; to ^{keep} stop them from killing their families. The British front line soldier slashes forward without mercy. He hates ~~the~~.

It took a while for ~~the~~ ^{our} American soldiers to learn to hate.

At the Kasserine Pass, in North Africa, scores of ~~the~~ ^{Americans} died because they learned too late.

Let me quote from an eyewitness description of that battle. These are the words of a private who was there. I quote:

"I know so well those men who were cut to ribbons at the Kasserine Pass, and I knew 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?' (Unquote.)

It takes a long time for Americans to learn to hate.

But we had better learn, ~~now~~ now -- all of us -- just as our soldiers and sailors have had to learn.

How are we going to do it?

If we could ~~take~~ ^{visit} ~~the~~ front / it ~~would~~ ^{might} be easier. We'd see an American fighter pilot, with his plane in flames, take to his parachute. Then we'd watch ~~while~~ half a dozen German planes circled back and machine-gun ~~ed~~ him as he dangled helpless under his chute. That is German efficiency. If they can kill a pilot before he lands safely, he won't fly again.

~~If~~ ^{When} we saw that happen / a few times, we'd get over our ~~notion~~ ^{notion} that the German boys are decent, honorable youngsters like our own.

Or we might ~~see~~ ^{watch} an American medical corps ~~man~~ ^{man} crawl out to carry water and medicine to a wounded German in the field. Then We'd see a German machine-gun open up and chop him to bits.

~~The Japs are very good at that, too. They have sharpshooters with instructions to ambush and kill every one of our Red Cross men they see.~~

In the First World War we ~~heard~~ ^{there were} many atrocity stories. After the war we learned ^{that} most of them were untrue. In this war the conduct of the German and Japanese soldiers, day after day, is more shocking than any atrocity story.

Only two days ago the newspapers reported that the Germans at Salerno were advancing under white flags of truce, and then throwing down the flags and attacking ^{our men.} In this war, such ^{contemptible} treachery doesn't even shock us. I'm glad to say it didn't fool our soldiers. ~~They~~. They killed the Germans and laughed at them!

Only yesterday the New York Times reported a meeting of leading ^{educators} ~~scholars of the ~~United States~~ ~~and~~ ~~other~~ ~~foreign~~~~ nations at Harper's Ferry in West Virginia. Again I quote: "As educators from Czechoslovakia, Greece, Poland, Belgium, Norway and China rose to tell what has happened to education under Nazi or Japanese rule, the story was all the same. It was a refrain of destruction, plunder, torture, death and mutilation; schools have been burned, libraries sacked, scientific equipment stolen, museums closed. The Nazis have succeeded in making an intellectual desert of the European lands." (Unquote)

There are no atrocity stories in this war because every story we hear is an atrocity!

Slowly but surely, as we hear more and more of them, we are learning to hate our ~~murderous~~ ^{murderous, arrogant, enemy,}

We know that at this very moment, on the beach at Salerno, American soldiers are dying by ~~the~~ thousand~~s~~. Gone are the days when the casualty lists told ~~of~~ a hundred killed here, a hundred killed there. ~~My~~ We have landed on the continent of Europe. The war is really beginning, for us. Italy is already a consuming ~~fire~~ furnace. And the fuel the Germans are burning in that furnace ~~is~~ the life of ^{American boys.} ~~our young men.~~ Not hundreds but thousands of our American soldiers, ^{fighting tonight,} ~~because~~ ~~that~~ ~~the~~ ~~Germans~~ ~~are~~ ~~doing~~ ~~to~~ ~~them~~ ~~at~~ ~~this~~ ~~moment~~ in Italy, will never walk again, will never see again -- will never breathe again.

Salerno
Maybe ~~it~~ will teach us to hate the Nazis!

Let me quote again -- this time from John Steinbeck, the novelist. He writes, from Europe: "I have seen the hospitals with maulled men, the

-8-

legless and the blind. . . the fingerless hands and burned faces. . . all the ~~xxxx~~ destruction that steel and fire can do to a man's body and mind. I have seen children hauled out of blasted buildings. . . lumps of crushed, dirty meat in pinafores. . . dead, boxed and buried. . . carrion.

"All this," Steinbeck says, "is the backdrop of the Third War Loan . . . the drive for 15 billion dollars. It should not be a matter of who will lend his money. . . but, rather, who dares not to?" (Unquote).

All this is the backdrop of the Third War Loan.

Yes -- ~~that~~ yes, it is.

All this is why, as the Secretary of the Treasury of the United States, I must ~~demand from you~~ ^{ask you to pay} taxes heavier than any other generation of Americans has ever paid. All this is why I must ask you to get along with ^{only} ~~no more than~~ the bare necessities of life, in order to subscribe ~~the colossal~~ ^{total} of 15 billion dollars to the Third War Loan. All this is why I ~~xxx~~ ^{warn} must ~~tell~~ you that there will be a Fourth War Loan, and a Fifth, and a Sixth.

I think we have ~~enough~~ ^{enough} reason to ~~hate~~ ^{hate} the Nazis. I say,
 "Damn them to Hell — the Hell they have created for the world!"

3

[Faint handwritten text, possibly a name or date, partially obscured by a dark mark on the right edge of the page.]

DRAFT - St. Louis Speech

If ever in all history there was a Nation that did not want war, that Nation was the United States -- two years ago!

Thanks to education, we of the democracies, know that war is needless. We can settle our problems with our brains. We don't need machine-guns.

This is true not only of us, but of our Allies.

When this war started, for instance, there were only 11 anti-aircraft guns to protect the whole city of London. Millions of Englishmen, in a country-wide vote, had made it clear that they would not support war. Certainly nobody can say that England wanted this conflict. The Russians were trying valiantly to lift themselves out of the Middle Ages, leaping over whole centuries in a few years' time. They were building dams and hydro-electric systems, they were teaching themselves to read and write. War could only interrupt their development. They were ready to go to any length to escape or postpone it.

Nor can anybody say that China wanted war.

Every writer, every teacher for a thousand years had told us that war was unnecessary. And at last we had learned the lesson.

Then why -- if war is needless -- are we at war?

- 2 -

For one thing, because we made a mistake.

In a sense, it is a mistake of which we may be proud.

We were so sure that we didn't want war that we believed nobody wanted it. Was there, anywhere on earth, a mother insane enough to want to see her son wounded, or blinded, or killed? No; a mother like that would be a monster. Was there, anywhere on earth, a father vicious enough to want his son to crouch behind a machine-gun and commit murder? No; a father like that would be a monster.

And monsters, like dragons, were creatures of legend, we thought -- creatures out of the age of fable.

We were sure there were no monsters in our modern world!

We found out there were!

And, today, we are at war.

The waste of it! The sheer waste!

We will spend, during this year alone, a hundred billion dollars for war.

Think of what we could do with that vast sum of money!

In public health, for instance. If we spent only a billion dollars a year for ten years -- one-tenth of the hundred billion we will spend this year on the war -- we could build enough hospitals to give us 360 thousand beds more than we now have.

- 3 -

We could build 500 health centers, and supply a full-time health service to every community in the United States. We could provide full care for all American mothers and their babies who need such care at childbirth.

We could have all of the local and State cancer clinics we need. We could probably wipe out venereal disease. We could almost certainly put an end to tuberculosis.

We could do all that, and many other things, with 10 billion dollars. And, in this war, we are spending roughly that amount every month!

Think of the housing we could build with 100 billion dollars!

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We are spending the money on war - instead of cancer clinics, or housing, or automobiles - because Germany and Japan have forced us to go to war.

This war unnecessary?

This war is necessary because the Germans and the Japs have made it necessary!

It is necessary if we value our lives and our freedom!

If we forget that, we may lose both the war and our lives and freedom!

- 4 -

Drifting and dreaming along, blandly certain that nobody would ever attack us, we nearly lost the war at the start.

Remember Pearl Harbor! Remember the Philippines!

After the Japs over-ran the Philippines, our troops fought bravely -- but that does not alter the fact that in the Philippines, too, practically every plane we had was blown to bits on the ground.

Believing that this war isn't necessary, believing that we don't need to hate and kill in order to win -- we can still lose.

If, as you hear me speak these words, you say to yourself, 'Oh, but we'll win, we're winning,' then you are in the ~~frame~~ frame of mind which can lose the war for us.

It is exactly the frame of mind Germany wants us to have. The German propaganda experts go to any length to get Americans to feel that way. They even send photographs of dead American flyers' graves to the flyers' mothers and fathers here in the United States. The photographs show the graves arranged in neat, well-kept cemeteries. The flyers' parents are expected to say, "If the Germans are showing that much love and respect to my boy, they can't be so bad."

- 5 -

And that is just what the Germans want. They want to keep as many Americans as possible from hating them -- because, if we don't hate them, we won't support the war. Our soldiers won't fight as well. We will let them kill us more easily.

Both the Germans and the Japanese know it's hard for Americans to learn to hate.

And when you don't hate, in battle, you're easy game.

You die.

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We haven't seen the enemy at work. We haven't been bombed. We have seen pictures of bombed buildings in Hamburg and London; yes. But they have only been pictures to us. We have never dragged the torn bodies of our own loved ones out of bombed buildings.

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It took a while for our American soldiers to learn to hate. At the Kasserine Pass, in North Africa, scores of Americans died because they learned too late.

- 6 -

Let me quote from an eyewitness description of that battle. These are the words of a private who was there. I quote:

"I know so well those men who were cut to ribbons at the Kasserine Pass, and I knew 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?'" (Unquote.)

Yes - it takes a long time for Americans to learn to hate.

But we had better learn, now -- all of us -- just as our soldiers and sailors have had to learn!

How are we going to do it?

If we could visit the front it might be easier. We'd see an American fighter pilot, with his plane in flames, take to his parachute. Then we'd watch half a dozen German planes circle back and machine-gun him as he dangled helpless under his chute. That is German efficiency. If they can kill a pilot before he lands safely, he won't fly again.

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- 7 -

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libraries sacked, scientific equipment stolen, museums closed. The Nazis have succeeded in making an intellectual desert of the European lands." (Unquote.)

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Slowly but surely, as we hear more and more of them, we are learning to hate our murderous, arrogant enemy.

We know that at this very moment, on the beach at Salerno, American soldiers are dying by thousands. Gone are the days when the casualty lists told of a hundred killed here, a hundred killed there. We have landed on the continent of Europe. The war is really beginning, for us. Italy is already a consuming furnace. And the fuel the Germans are burning in that furnace is the life of American boys. Not hundreds, but thousands of our American soldiers, fighting tonight in Italy, will never walk again, will never see again -- will never breathe again.

Maybe Salerno will teach us to hate the Nazis!

Let me quote again -- this time from John Steinbeck, the novelist. He writes, from Europe: "I have seen the hospitals with mauled men, the legless and the blind . . . the fingerless hands and burned faces . . . all the destruction that steel and fire can do to a man's body and mind. I have seen children

- 9 -

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"All this," Steinbeck says, "is the backdrop of the Third War Loan . . . the drive for 15 billion dollars. It should not be a matter of who will lend his money . . . but, rather, who dares not to?" Unquote

All this is the backdrop of the Third War Loan.

Yes -- yes, it is.

All this is why, as the Secretary of the Treasury of the United States, I must ask you to pay taxes heavier than any other generation of Americans has ever paid. All this is why I must ask you to get along with only the bare necessities of life, in order to subscribe 15 billion dollars to the Third War Loan. All this is why I must warn you that there will be a Fourth War Loan, and a Fifth, and a Sixth.

I think we have reason enough to hate the Nazis. I say, "Damn them to Hell -- the Hell they have created for the world!"

Tonight thousands of British and Canadian troops are driving hard into the heart of Italy. The Italian ^{DEPENDERS} ~~troops~~, confused and bewildered by the ~~driving~~ force of the men and the equipment of the United Nations, have not yet been able to put up a strong defense.

The American Seventh Army, after having driven the Nazi and Fascist leaders to near distraction by simply disappearing from sight, is now about to materialize. Soon, very soon, this well-equipped Seventh Army will strike. At this moment there is such power poised as our adversaries have never seen and could never imagine. And it is power that counts. Power is the only thing that Axis leaders can understand.

The reason I am telling you this tonight is because the job of developing and maintaining overwhelming power for the United Nations is largely your job. To create this power requires tireless effort on the Home Front. It means long hours in the factories and shops and offices everywhere in the country.

But it ^{requires} ~~does~~ not only ~~need~~ effort, it also ^{requires} ~~needs~~ money. To do the job with which we are faced, to supply our attacking forces with the machines of war,

- 2 -

with ammunition, and transportation, and to maintain an army of six million men, ^{takes staggering} ~~requires~~ huge amounts of money.

The American people have shown a commendable willingness to supply this money. They have not stopped to reckon the cost of preserving civilization. They know there can be no economic justification for failing to save freedom.

Now the Government could get the money required in several ways. Our credit is the best in the world, and we could simply go to the banks and ask them for enough money to finance the war. Or we could print the money, as they do in some of the Axis countries, but if we took either of these two easy courses we would be certain to lose the peace whether or not we won the war. We would have an inflated economy, which would spread out for decades the period of reconstruction.

We can get the money for the war ~~easily~~ without risking our future only if we get it from the American people. For this reason we are asking you to help us keep our books balanced to the greatest possible degree through your payment of taxes and through ~~your~~ ^{your} lending ~~the~~ Government money by buying War Bonds.

- 3 -

Tonight, we are launching a campaign to raise fifteen billion dollars through this voluntary War Bond program.

Whole communities -- whole states -- are on a war-time alert ~~tonight~~, with people waiting in their homes for flying squadrons of special Bond salesmen.

In these weeks to come, every home, every office, every factory -- even remote farms will be visited by War Bond salesmen. Every state of the 48 has its plans for parades, carnivals, and mass meetings. So eager are the armed forces to do everything in their power to help this Drive that General Eisenhower has sent home thirteen hundred tons of captured enemy equipment, so that you ^{who are being asked to buy bonds} can see the kind of weapons that our weapons must destroy.

We can be sure that our enemies will watch this drive with the keenest interest. They know that success in this undertaking can and will materially shorten the war. They know that the more money the American people lend to their Government, the more powerful and relentless will be the American forces in the field. And finally, they know that only a united and determined America could possibly produce so large a sum of money on a voluntary basis as 15

- 4 -

billion dollars.

Last April, when we launched the Second War Loan drive for 13 billion dollars, the radio stations of Germany, Japan, and Italy filled the air with jeers, pointing out that the drive was ^{certain} ~~bound~~ to fail, that Americans would never lend so much money to their Government. Then, when the Government not only received what it asked for, but found that the people had subscribed an extra billion or so for good measure, the air became suddenly quiet. The overwhelming success of the Second War Loan drive demonstrated to the huge disappointment and chagrin of Axis propagandists that the people of this ~~weak and timid~~ democracy stood firm behind their troops. The axis leaders were forced to recognize that the American people meant to buy and build whatever ^{equipment was} ~~machines of war were~~ necessary to get this war over and finished. The American people were determined to have victory no matter what the cost in dollars, or sacrifice.

The Third War Loan, which we are starting tonight, will also succeed.

It will succeed because, by this time, every man and woman in the United States recognizes the importance of generously financing the costs of war. They know that good equipment and plenty of it, means less loss

of life on the battle front. They have seen what happened at Kiska when the Japs, cringing at the thought of meeting the power and force of American and Canadian troops, simply withdrew, in the black of night, to parts unknown.

It is not likely that we can move into Berlin the way our troops marched into Kiska, without a living enemy in sight, because ^{the rest of the Luftwaffe will be there} ~~there will be German planes~~ to ward off to final defeat; there will be guns blazing away in defiance. But one thing is certain; the more bombs and shells that we can pour into Germany's war production and transportation centers, the weaker Germany's resistance will be, and the more American lives we shall be able to save.

It is the sum total of your War Bonds, translated into planes and gasoline and bombs and well-trained pilots ~~and soldiers and sailors~~, that the Axis nations fear above all things. [Therefore your bonds -- that extra \$100 bond that you are being asked to buy in the Third War Loan ^{will help} ~~will help~~ ^{to} crush the enemy into the unconditional surrender which will alone satisfy us in our just wrath.]

1 9/19/43
57

ST LOUIS SPEECH

If ever in ^{all} ~~the~~ history of ~~the world~~ ^{this nation} there ~~was~~ ^{there} was a nation that did not want war, ~~it~~ ^{was} was the United States ~~three~~ ^{years} years ago! And with good reason ^{of} Virtually every man, woman and child in this country -- thanks to the education ^{that} ~~which~~ is possible under democracy -- knows that war is needless. We can settle ^{our} ~~international~~ problems with our brains. We don't need to use ~~destructive~~ machine-guns.

The same thing may be said of ~~the~~ ^{the} other nations ~~which~~ ^{that} are today our welcome allies.

~~Britain, for example.~~ ~~Sixty-six years~~ When this war started, there were only 11 anti-aircraft guns to protect the ^{whole} city of London. I didn't say 11 hundred. I said 11! [^] Something like 8 million [^] Englishmen, in a vote, had ~~decided~~ ^{made it clear} that they would not support ~~a~~ [^] war. The ~~very~~ [^] attempt ^{to appease} ~~at~~ Hitler, which we criticized so bitterly at the time, although we were doing ~~it~~ ^{the same thing ourselves, was} a measure of Britain's desire for peace. Certainly nobody can say that England wanted ~~the~~ ^{this} war.

The same with Russia. The Russians were trying to lift themselves ^{out of} from the Middle Ages, ^{over} leaping ~~over~~ ^{xxx} whole centuries in a few years' time. They were building dams and hydro-electric systems, ^{They were} teaching ~~xxx~~ themselves to read and write, ^{They were busy} building housing projects. War ^{would} ~~was bound to~~ interrupt their development, ^{industrial} ~~and~~ ^{ready} ~~action~~. They were ~~willing~~ ^{ready} to go to any length to escape or ~~even~~ postpone it -- ~~including~~ up to and including a non-aggression pact with Germany, the country that threatened ~~something they had~~ ^{them}.

~~The same with China.~~ Anybody who ~~says~~ ^{calls} the Chinese a war-like people is too ignorant to deserve serious consideration.
If you can anybody say that China ~~is~~ ^{is} a war-like people.

-2-

~~The~~ long centuries of education have borne ~~not~~ fruit. Every writer, every teacher ^{for a thousand years} ~~has~~ told us that war is cruel and foolish and unnecessary. And at last, because books are no longer chained to ~~the walls~~ ^{the} in churches or hidden away in the libraries of ~~the~~ ^{that to be true. We have learned the lesson.} ~~few~~ noblemen, all of us know ~~it~~. War is needless. ~~History will tell us~~ /the generation that learned ~~that there could be an end to war.~~

Then why -- if war ^{is} ~~is~~ needless -- are we at war?

We are at war because we made a mistake. ~~In~~ ^{In} a sense, it is a mistake of which we may ~~not~~ be proud. ~~It~~ ^{It} is a mistake that could be made ^{only} ~~only~~ by a democracy.

We were so sure, ~~we~~ ^{thought} in our democracy, that all men were free and equal, that ~~that~~ we ~~believed~~ ^{believed} all ~~the~~ ~~other~~ countries felt about war as we did. ~~To put it simply, we couldn't believe any other countries~~ were stupid enough to want anything as ghastly and horrible as war. Was there, anywhere on earth, a mother mad enough to want to see her ~~son~~ ^{son wounded,} ~~blinded, his arms shot off?~~ ^{blinded?} ~~No; such a mother~~ ^{like that} would be a monster. Was there, anywhere on earth, a father ~~stupid, ridiculous, foolish~~ ^{went} vicious enough to ~~believe that~~ ^{commit murder?} his son ~~needed~~ to crouch behind a machine-gun and ~~shoot down the women and children of some other nation?~~ ^{like that} ~~No; such a father~~ would be a monster.

Monsters, like dragons, were creatures of legend, ~~out~~ ^{we thought - creatures} out of the age of ~~myth and~~ fable.

We were sure there ~~could be~~ ^{were no} ~~no~~ monsters in ^{our} a modern world, ~~with~~ ~~automobiles and airplanes.~~

We found out that there were.

~~So~~ /today/ we are at war -- ~~conducting~~ the strangest war in the history of mankind. For all of us who are fighting it, except the Germans and Japanese, know that ~~it is ghastly and horrible and, most~~ ^{it is unnecessary!}

-3-

The waste of it! The sheer waste!

We will spend for war, this year alone, a hundred billion dollars. Think of the things we could do with that money!

Take public health, for instance. If we spent a billion dollars a year for ten years -- a total of ten billion dollars, or one ~~cent~~ tenth of the hundred billion we will spend this year alone on the war -- we could build hospitals providing 360 thousand beds. We could build 5 hundred health centers. Added to the facilities we already have, we could put a full-time health service into every community in the United States. We could provide full care, ~~for~~ both before and after the birth of their babies, for all the American mothers who do not now receive such care.

We could have all the local and State cancer clinics we need. We could probably wipe out venereal diseases altogether. We could probably wipe out tuberculosis. We could put aside 10 million dollars for mental hygiene and 20 million for industrial hygiene, making sure that ~~each~~ the people in our factories worked under healthy, safe conditions.

We could do all that with 10 billion dollars. In this war, we are spending 10 billion dollars a month!

~~or~~ Think of the housing we could build with 100 billion dollars.

Think of the automobiles we could buy with 100 billion dollars.

Ⓢ And think of this —
~~that is what we are doing~~

~~But it is high time for us to reflect that~~ ~~We~~ aren't getting the cancer clinics, the housing, the automobiles, for one reason and only one reason -- because the Germans and Japanese have taken them away from us!

~~It is high time for us to stop thinking that~~ ~~this war is~~ unnecessary. When a hold-up man jabs a pistol into the small of your back,

-2-

doing something about it becomes necessary. This war is necessary because the Germans and the Japs have made it necessary. We've got to win it if we want to live! That is necessary!

Drifting and dreaming along, ~~living xxxxxxxxxx~~ blandly ~~xxxx~~ ~~xxxx~~ certain that nobody would ever attack us, we Americans were in a frame of mind, when the war began, which can still lose it for us. Yes, lose it!

The Army was sound asleep, at Pearl Harbor.

So was the Navy.

After the ~~xxxxx~~ Japs over-ran the Phillipines, our troops fought bravely -- but that does not alter the fact that in the Phillipines, too, we were caught napping. Virtually every plane we had there was bombed to pieces ~~right~~ on the ground.

The point I am making that a certain frame of mind -- believing that this war isn't necessary, believing ~~that~~ it isn't necessary to kill and destroy in order to win ~~it~~ -- can cause us to lose.

If, as you hear me speak these words, you say to yourself, 'Oh, but we'll win, we're winning,' then you are in exactly the frame of mind I mean.

It is exactly the frame of mind Germany wants you to be in.

The German propaganda experts go to any length to get Americans ~~xxxxxx~~ to thinking that Germans are ^{smart,} ~~xxxxxx~~ good people. They have gone so far as to send photographs of American ^{flyers'} graves to ~~xxxxxx~~ mothers and fathers ^{in the United States. The photographs are to} ~~xxxxxx~~ prove that they are burying ~~and~~ American flyers in neat graves, in well-kept cemeteries. *And the mothers*

and fathers are expected to thank,
If they're caring for my boy like

*Believe 7's
Believe to Bill*

DRAFT - St. Louis Speech

*We need to much again -
it will be hard - you may not
want to sacrifice but it is what
we must do - we didn't ask*

If ever in all history there was a Nation that did not want war, that Nation was the United States -- two years ago!

Thanks to education, we of the democracies, know that war is needless. We can settle our problems with our brains. We don't need machine-guns.

This is true not only of us, but of our Allies.

When this war started, for instance, there were only 11 anti-aircraft guns to protect the whole city of London. Millions of Englishmen, in a country-wide vote, had made it clear that they would not support war. Certainly nobody can say that England wanted this conflict. The Russians were trying valiantly to lift themselves out of the Middle Ages, leaping over whole centuries in a few years' time. They were building dams and hydro-electric systems, they were teaching themselves to read and write. War could only interrupt their development. They were ready to go to any length to escape or postpone it.

Nor can anybody say that China wanted war.

Every writer, every teacher for a thousand years had told us that war was unnecessary. And at last we had learned the lesson.

Then why -- if war is needless -- are we at war?

*for the war
it is the
only way to
prevent it*

- 2 -

For one thing, because we made a mistake.

In a sense, it is a mistake of which we may be proud.

We were so sure that we didn't want war that we believed nobody wanted it. Was there, anywhere on earth, a mother insane enough to want to see her son wounded, or blinded, or killed? No; a mother like that would be a monster. Was there, anywhere on earth, a father vicious enough to want his son to crouch behind a machine-gun and commit murder? No; a father like that would be a monster.

And monsters, like dragons, were creatures of legend, we thought -- creatures out of the age of fable.

We were sure there were no monsters in our modern world!

We found out there were!

And, today, we are at war.

The waste of it! The sheer waste!

We will spend, during this year alone, a hundred billion dollars for war.

Think of what we could do with that vast sum of money!

In public health, for instance. If we spent only a billion dollars a year for ten years -- one-tenth of the hundred billion we will spend this year on the war -- we could build enough hospitals to give us 360 thousand beds more than we now have.

- 3 -

We could build 500 health centers, and supply a full-time health service to every community in the United States. We could provide full care for all American mothers and their babies who need such care at childbirth.

We could have all of the local and State cancer clinics we need. We could probably wipe out venereal disease. We could almost certainly put an end to tuberculosis.

We could do all that, and many other things, with 10 billion dollars. And, in this war, we are spending roughly that amount every month!

Think of the housing we could build with 100 billion dollars!

Think of the automobiles we could buy with 100 billion dollars!

We are spending the money on war - instead of cancer clinics, or housing, or automobiles - because Germany and Japan have forced us to go to war.

This war unnecessary?

This war is necessary because the Germans and the Japs have made it necessary!

It is necessary if we value our lives and our freedom!

If we forget that, we may lose both the war and our lives and freedom!

- 4 -

Drifting and dreaming along, blandly certain that nobody would ever attack us, we nearly lost the war at the start.

Remember Pearl Harbor! Remember the Philippines!

After the Japs over-ran the Philippines, our troops fought bravely -- but that does not alter the fact that in the Philippines, too, practically every plane we had was blown to bits on the ground.

Believing that this war isn't necessary, believing that we don't need to hate and kill in order to win -- we can still lose.

If, as you hear me speak these words, you say to yourself, 'Oh, but we'll win, we're winning,' then you are in the frame of mind which can lose the war for us. (A)

It is exactly the frame of mind Germany wants us to have. The German propaganda experts go to any length to get Americans to feel that way. They even send photographs of dead American flyers' graves to the flyers' mothers and fathers here in the United States. The photographs show the graves arranged in neat, well-kept cemeteries. The flyers' parents are expected to say, "If the Germans are showing that much love and respect to my boy, they can't be so bad." (B)

- 5 -

And that is just what the Germans want. They want to keep as many Americans as possible from hating them -- because, if we don't hate them, we won't support the war. Our soldiers won't fight as well. We will let them kill us more easily.

Both the Germans and the Japanese know it's hard for Americans to learn to hate.

~~And when you don't hate, in battle, you're easy game.~~

You die.

It is hard for us to learn to hate. *(because)*

We haven't seen the enemy at work. We haven't been bombed. We have seen pictures of bombed buildings in Hamburg and London; yes. But they have only been pictures to us. We have never dragged the torn bodies of our own loved ones out of bombed buildings.

The British know what they are fighting for because they have been in this war a long time. They fight savagely for their very lives; they fight to stop the Germans from bombing their homes; to keep them from killing their families. The British front line soldier slashes forward without mercy. He hates.

It took a while for our American soldiers to learn to hate. At the Kasserine Pass, in North Africa, scores of Americans died because they learned too late.

- 6 -

Let me quote from an eyewitness description of that battle. These are the words of a private who was there. I quote:

"I know so well those men who were cut to ribbons at the Kasserine Pass, and I knew 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?'" (Unquote.)

Yes - it takes a long time for Americans to learn to hate.

But we had better learn, now -- all of us -- just as our soldiers and sailors have had to learn!

How are we going to do it?

If we could visit the front it might be easier. We'd see an American fighter pilot, with his plane in flames, take to his parachute. Then we'd watch half a dozen German planes circle back and machine-gun him as he dangled helpless under his chute. That is German efficiency. If they can kill a pilot before he lands safely, he won't fly again.

When we saw that happen a few times, we'd get over our notion that the German boys are decent, honorable youngsters like our own.

- 7 -

Or we might watch an American medical corps man crawl out to carry water and medicine to a wounded German in the field. Then we'd see a German machine-gun open up and chop him to bits.

In the First World War there were many atrocity stories. After the war we learned that most of them were untrue. In this war the conduct of the German and Japanese soldiers, day after day, is more shocking than any atrocity story.

Only two days ago the newspapers reported that the Germans at Salerno were advancing under white flags of truce, and then throwing down the flags and attacking our men. In this war, such contemptible treachery doesn't even shock us. I'm glad to say it didn't fool our soldiers. They killed the Germans and laughed at them!

Only yesterday the New York Times reported a meeting of leading educators of 30 nations at Harper's Ferry in West Virginia. Again I quote: "As educators from Czechoslovakia, Greece, Poland, Belgium, Norway and China rose to tell what has happened to education under Nazi or Japanese rule, the story was all the same. It was a refrain of destruction, plunder, torture, death and mutilation; schools have been burned,

- 8 -

libraries sacked, scientific equipment stolen, museums closed. The Nazis have succeeded in making an intellectual desert of the European lands." (Unquote.)

There are no atrocity stories in this war - because every story we hear is an atrocity!

Slowly but surely, as we hear more and more of them, we are learning to hate our murderous, arrogant enemy.

We know that at this very moment, on the beach at Salerno, American soldiers are dying by thousands. Gone are the days when the casualty lists told of a hundred killed here, a hundred killed there. We have landed on the continent of Europe. The war is really beginning, for us. Italy is already a consuming furnace. And the fuel the Germans are burning in that furnace is the life of American boys. Not hundreds, but thousands of our American soldiers, fighting tonight in Italy, will never walk again, will never see again -- will never breathe again.

Maybe Salerno will teach us to hate the Nazis!

Let me quote again -- this time from John Steinbeck, the novelist. He writes, from Europe: "I have seen the hospitals with mauled men, the legless and the blind . . . the fingerless hands and burned faces . . . all the destruction that steel and fire can do to a man's body and mind. I have seen children

- 9 -

hauled out of blasted buildings . . . lumps of crushed, dirty meat in pinafores . . . dead, boxed and buried . . . carrion.

"All this," Steinbeck says, "is the backdrop of the Third war Loan . . . the drive for 15 billion dollars. It should not be a matter of who will lend his money . . . but, rather, who dares not to?" Unquote.

All this is the backdrop of the Third War Loan.

Yes -- yes, it is.

All this is why, as the Secretary of the Treasury of the United States, I must ask you to pay taxes heavier than any other generation of Americans has ever paid. All this is why I must ask you to get along with only the bare necessities of life, in order to subscribe 15 billion dollars to the Third War Loan. All this is why I must warn you that there will be a Fourth War Loan, and a Fifth, and a Sixth.

I think we have reason enough to hate the Nazis. I say, "Damn them to Hell -- the Hell they have created for the world!"

Last night I visited the 1600 block on Berthold street, here in St. Louis. Every family in this block, on both sides of the street, has bought at least one extra ~~xxx~~ Bond since the beginning of the Third War Loan Drive. ^{And} ~~On the corner,~~ ^{on the corner, is buying a Bond to match} Mr. Kemmer, had ~~bought a bond~~ ^{for every bond} that any of his neighbors had ~~purchased.~~ ^{buys.}

~~I am told that~~ ^{St. Louis} This is not an ~~unusual~~ ^{unusual} block in St. Louis. The War Finance Committee has the effective cooperation of the O.C.D. ^{As} a result, nearly 9000 block workers are covering the City of St. Louis, house by house, block by block, neighborhood by neighborhood.

~~I am glad~~ ^{I am glad} I can tell you that I was ~~right~~ ^{right} to see this job being done so effectively. Let me tell you why:

When we set the goal for the Third War Loan at 15 ~~fifteen~~ billion dollars, we knew ~~that~~ there would be ~~an~~ ^{only one way} in the world ~~that we could get~~ ^{to} ~~that~~ ^{that amount of} money. ~~We knew that we would have to have personal contribution.~~

We knew we would have to get people to lend the money they had put away in safety deposit boxes, in sugar bowls, and under the mattress. ~~This is the money that we are getting.~~

I was told a story last night of an American of Italian birth, ^{He} ~~who~~ was asked by one of his neighbors to buy

-2-

a \$100 Bond. After they ~~had~~ talked it over, ~~together,~~ ^{this man} ~~the~~ ~~Italian-American~~ took \$10,000, his life savings, ^{out of} ~~which he~~ kept in a safety deposit box, and ^{lent} ~~gave~~ it all to the government.

All of this, as I say, is gratifying and inspiring. It is gratifying to know, too, that after only ⁹ ~~two~~ days of the Third War Loan, we ~~have~~ are well past the half way mark, on our ~~quota~~ quota of fifteen billion dollars. A half hour ago, I received the figures to date. ~~We have sold, as of~~ ^{the sales reported} ~~the sales reported,~~ ^{as} of tonight, ^{are} nine billion dollars. For three consecutive days, we ^{now,} have been able to report more than ² ~~two~~ billion dollars a day, ~~in Bonds toward our~~ ~~fifteen billion dollar goal.~~

~~If~~ ^{So} ~~we~~ This is a brilliant record, ^{and} I am proud of it, as I know we all must be.

But in a sense, ~~we~~ in the Third War Loan, ^{we are} just about where we were in the war when Italy ^{surrendered?} ~~capitulated.~~ ~~There~~ is a strong tendency to ~~throw our hats in the air and consider~~ ~~the job practically done.~~ ~~But it isn't.~~ The bitter truth is that the Third War Loan, like the war in Italy, has just begun. From here on it will take grim determination and ^{real} ~~real~~ ~~sacrifice~~ willingness to go without - to ^{buy} the number of Bonds you must buy.

Out of 15 ~~of this \$150 billion~~ billion dollars, ^{worth of Bonds,} we must sell five billion dollars ~~in government securities~~ to individuals -- to people like those in the 1600 block on Berthold Street. ~~That's a lot~~ ~~And that is a great deal~~ of money! It can't come out of current earnings without ~~considerable~~ tightening ~~the~~ belts, without skimping, ~~and doing without~~ without your feeling it.

Now there are a lot of people who won't want to make ~~the necessary sacrifices.~~ ~~Some will say the government doesn't need all this money,~~ ~~but I can assure you the government does need the money.~~ ^{But the money must be raised, because your country needs it.} ~~Washington,~~ ^{right before last, in} ~~A few nights ago I reported~~ ^{to you} your losses in Sicily. I told you ~~how~~ we had lost as much as 54 per cent of some of our ^{materiel} materiel. All that ~~has~~ ^{has} to be replaced; for General Marshall ~~has assured me that,~~ ^{says} ~~from here~~ ^{this point on,} the war will be an all-consuming furnace. The cost in ~~equipment~~ ~~lives and in equipment~~ ^{will be terrible} ~~will be terrible~~ ^{shock and} ~~will be terrible~~ ^{sicken us.} ~~In this past 9 days, we have raised~~ ~~During this year alone, it will cost us a hundred~~

^{realize} billion dollars. ~~Do you know~~ ^{Do you} how much money that is? ~~To give you an idea~~ ^{To give you an idea} show ~~how much it is,~~ ^{how much it is,} I called up Doctor Thomas Parran, the Surgeon General of the United States Public Health Service. ~~and I asked him what a hundred billion dollars would~~ ^{he could do toward making the water well with} ~~do~~ ^{9 or} billion dollars. ~~him.~~ He replied that, if we spent only one billion dollars a year, for ten years, ~~we could~~ ~~one hundredth of what the war is now costing~~ we could

-and in London, etc

-4-

build enough hospitals to give us 360,000 ^{additional} beds ~~more than we have now.~~ We could build 500 health centers, and supply full time health service ~~for~~ ^{to} every community in the United States. We could provide full care for all American mothers and their babies who need such care at childbirth. We could have all of the local and state cancer clinics ~~needed.~~ ^{we need.} We could probably wipe out venereal diseases. We could almost certainly put an end to tuberculosis.

~~We could do all that, and many other things, with ten billion dollars -- approximately as much as this war costs us every month.~~

We are spending ~~this~~ ^{on} money on war, instead of cancer clinics, or health centers, or ~~skin~~ housing, or automobiles and homes, because Germany and Japan forced us to go to war. ^{must be won if} ~~And this war is~~ horrible as it is, ~~is~~ ^{we want to save} our lives, our freedom, and our future.

If, as you hear me speak these words, you say to yourself, "Oh, but we'll win, we're winning," then you are in the frame of mind which can ~~lose~~ lose the war ^{for us.}

It is exactly the frame of mind Germany wants us to have. The German propaganda experts go to any length to get Americans to feel that way. They even send photographs of dead American flyers' graves to the flyers' mothers and

-5-

and fathers here in the United States. The photographs show the graves arranged in neat, well-kept cemeteries. The flyers' parents are expected to say, "If the Germans are showing that much love and respect to my boy, they can't be so bad."

~~And~~ ^{And} that is just what the Germans want. They want to keep as many Americans as possible from hating them-- because if we don't hate, ~~them~~, we won't support the war. Our soldiers won't fight as well. ~~We will let them kill us more easily.~~

~~Both~~ ^{One counting on the fact that} the Germans and the Japanese ~~it's~~ it's hard for Americans to learn to hate.

~~It is hard for us to learn to hate because we haven't seen pictures of bombed buildings in Hamburg and London; been bombed.~~ ^{CONFID.} We have seen pictures of bombed buildings in Hamburg and London; yes. But they have only been pictures to us. We have never dragged the torn bodies of our loved ones out of bombed buildings.

The British know what they are fighting for because they have been in this war a long time. They fight savagely, for their ~~very~~ lives; they fight to stop the Germans from bombing their homes; to keep them from killing their families. The British front line soldier slashes forward without mercy. He hates.

-6-

It took a while for our American soldiers to learn to hate. At the Kasserine Pass, in North Africa, scores of Americans died because they learned too late.

Let me quote from an eyewitness description of that battle. These are the words of a private who was there. I quote:

"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 foxholds to let the tanks roll over them, and were bayoneted in those 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?'"

Yes - it takes a long time for Americans to learn to hate, *But our soldiers have done it - and now we*
~~But we had better learn now -- all of us -- just as our soldiers and sailors have had to learn!~~

*must
have*

#4

6900

Last night I visited the 1800 block on Berthold Street, here in St. Louis. Every family in this block, on both sides of the street, has bought at least one extra Bond since the beginning of the Third War Loan Drive. And Mr. Kemmer, on the corner, is buying a Bond to match every Bond any of his neighbors buys.

This is not an unusual block in St. Louis. The St. Louis War Finance Committee has the effective cooperation of the O. C. D. As a result, nearly 9000 block workers are covering the City of St. Louis house by house, block by block, neighborhood by neighborhood.

I am glad to see this job being done so effectively. Let me tell you why:

When we set the goal for the Third War Loan at 15 billion dollars, we knew there would be only one way in the world to get that amount of money. We knew we would have to get people to lend the money they had put away in safety deposit boxes, in sugar bowls, and under the mattress.

I was told a story last night of an American of Italian birth. He was asked by one of his neighbors to buy a \$100 Bond. After they talked it over, this man took \$10,000, his life savings, out of a safety deposit box and lent it all to the Government.

-2-

All of this, as I say, is gratifying and inspiring. It is gratifying to know, too, that after only 9 days of the Third War Loan we are well past the halfway mark on our quota of 15 billion dollars. A half hour ago I received the figures to date. The sales reported, as of tonight, are 9 billion dollars. For three consecutive days now, we have been able to report more than 2 billion dollars a day.

This is a brilliant record; so I am proud of it, as I know we all must be.

But in a sense, in the Third War Loan, we are just about where we were in the war when Italy surrendered. The bitter truth is that the real man-sized job in the Third War Loan, like the war in Italy, has just begun. From here on, it will take grim determination and real willingness to "go without" -- to buy the number of Bonds you must buy.

It is my duty to make it clear to every man, woman, and ~~sh~~ child in the United States that the first half of the Third War Loan has been the easy half. From now on it's going to be hard/-- unbelievably hard.

-2A-

Out of 15 billion dollars worth of Bonds, we must sell five billion to individuals -- to people like those in the 1600 block on Berthold Street. That's a lot of money! It can't come from current earnings without tightening belts, without skimping, without your feeling it.

But the money must be raised, because your country needs it. Night before last, in Washington, I reported to you our losses in Sicily. I told you we had lost as much

-3-

as 54 per cent of some of our material. All that material has to be replaced; for General Marshall says that, from this point on, the war will be an "all-consuming furnace." The cost in equipment, and ~~mm~~ in lives, too -- will shake and sicken us.

In this past nine days, we have raised 9 billion dollars.

Do you realize how much money that is?

To give you an idea how much it is, I called up Doctor Thomas Parran, the Surgeon General of the United States Public Health Service. I asked him what he could do toward making the nation well with 9 or 10 billion dollars. He replied that, if ~~we~~ spent one billion dollars a year, for ten years, we could build enough hospitals to give us 360,000 additional beds.

We could build 500 health centers, and supply full time health service to every community in the United States. We could provide full care for all American mothers and their babies who need such care at childbirth. We could have all the local and state cancer clinics we need. We could probably wipe out venereal diseases. We could almost certainly put an end to tuberculosis.

We are raising this money to spend on war, instead of cancer clinics, or health centers, or housing, or automobiles

-4-

and homes, because Germany and Japan forced us to go to war. This war, horrible as it is, must be won if we want to save our lives, our freedom, and our future.

If, as you hear me speak these words, you say to yourself, "Oh, but we'll win, we're winning," then you are in the frame of mind which can lose the war for us.

It is exactly the frame of mind Germany wants us to have. The German propaganda experts go to any length to get Americans to feel that way. They even send photographs of dead American flyers' graves to the flyers' mothers and fathers here in the United States. The photographs show the graves arranged in neat, well-kept cemeteries. The flyers' parents are expected to say, "If the Germans are showing that much love and respect to my boy, they can't be so bad."

And that is just what the Germans want. They want to keep as many Americans as possible from hating them -- because if we don't hate, we won't support the war. Our soldiers won't fight as well. You won't buy Bonds "until it hurts."

The Germans are counting on the fact that it's hard for Americans to learn to hate.

One thing that makes it so difficult for us here at home, I think, is that millions of us in the United States have not been touched, ~~per~~ personally, by the enemy's passion for murder and destruction. We know that American soldiers
and

-5-

and sailors have been killed -- but except in relatively few cases, they have not been our brothers, our husbands, our sons. We know what England, and Russia, and all the other countries have suffered at the hands of Germany. We've seen pictures of the bombed houses, the burning towns. But they haven't been our houses, our towns.

The British know what they are fighting for because they have been in this war a long time. They fight savagely, for their lives; they fight to stop the Germans from bombing their homes; to keep them from killing their families. The British front line soldier ^S slashes forward without mercy. He hates.

It took a while for our American soldiers to learn to hate. At the Kasserine Pass, in North Africa, scores of Americans died because they learned too late.

Let me quote from an eyewitness description of that battle. These are the words of a private who was there. I quote:

"I know so well those men who were cut to ribbons at Kasserine Pass. When they jumped into foxholes to let the German tanks roll over them, and were bayoneted in those foxholes by the infantry that came behind the tanks, they died with an astonished look on their faces, as if they wanted

-6-

to ask: 'Could that be possible, would they really do that?'"

Yes - it takes a long time for Americans to learn to hate, but our soldiers have done it -- and now we must learn.

73
5
57

LADIES AND GENTLEMEN :

Today we ~~XXXXX~~ have had a message from President Roosevelt, our Commander-in-Chief.

As he ~~XXXX~~ points out -- and I quote -- "We are in the midst of the Third War Loan Drive seeking to raise a sum unparalleled in history -- 15 billion dollars. This is a dramatic example of the scale on which this war still has to be fought, and presents some idea of how difficult and costly the responsible leaders of this Government believe the war will be."

(UNQUOTE)

I may say right here that I am not in the least frightened by this prospect. I am sure we can get the money. Our national income, this year, will be nearly 150 billion dollars. I am equally confident that the American people will not balk at any cost -- because they fully realize that, the more money we spent on equipment and materiel, the fewer lives will be lost in battle.

It is to start meeting these huge war expenditures that we set up the enormous goal of 15 billion dollars -- exclusive of banks -- for this Third War Loan.

are depleted.

This is a job that American ^{labor and} industry can and will do -- and ^{do} so well. It also calls for the solution of tremendous problems in shipping and transportation, but by now we have proved that we can take care of those, too. And it is a job that will require so huge a financial transaction, before this war is ultimately won, that it staggers the imagination.

The coming battle for Europe will cost us billions upon billions of dollars.

I might say right here that I am not in the least frightened by this prospect. I am sure we can get the money. Our national income, this year, will be nearly 150 billion dollars. I am equally confident that the American people will not balk at any cost -- because they fully realize that, the more money we spend on equipment and material, the fewer lives will be lost in battle.

It is to start meeting these huge war expenditures that we set up the enormous ^{goal} ~~quota~~ of 15 billion dollars, ^{Exclusive} ~~subsidy of the Banker~~ for the Third War Loan. It is because we have confidence in the American people that we set out, during the month of September, to get 5 billion dollars of this ~~xxx~~ 15 billion from the American people -- from individuals.

~~I want to be perfectly truthful with you.~~

I have heard it said many times that this job can not be done -- that the people of the United States are too fond of their comfort to skip and sacrifice ~~xxx~~ -- that they do not have enough knowledge of what this war is about to dig down and come up with 5 billion dollars.

And I can tell you this: This defeatist attitude toward the Third War Loan is being aided and abetted by enemy propagandists, who are busy piling rumor upon rumor. They are passing the word around that subscriptions are falling behind, that the Government will never refund the money you put into Bonds, and even -- and this is the most fantastic rumor of World War 2 -- that the war will last only as long as people continue to buy Bonds.

You can/^{take} your pick of those rumors. There is not a vestige of truth in any of them. They are all desperate attempts on the part of the Axis to make the Third War Loan fail at any cost.

Well, I have one report tonight that I should like to pour into Axis ears. Less than an hour ago I had a call from Washington. I learned that the total sales reported to Washington, up to this time, ^{have passed the} are 9 ^{mark} billion dollars. Do you hear that, ^{Germany} ~~Mr.~~ Hitler? Do you hear it, ^{that} ~~your~~ Japan ~~h~~ ~~blems~~? The American people, of their own free will, have turned over to the Government, in ^{nine} ~~ten~~ days, a total of more than 9 ^{1/2} billion dollars.
 - a average of one billion dollars a day.

And let me tell you something else. I did some telephoning today to the ^{Federal Reserve System} ~~people who are responsible for clearing, and recording, and reporting to Washington on the sales of these Bonds;~~ and I find that the ^{tough} ~~little~~ people of America are buying Bonds so rapidly that in one Federal Reserve District there are literally millions of Bonds backed up. ^{we} ~~This simply means that the machines, and men and women cannot work fast enough to keep up with the~~ ^{selling} ~~pace~~ of the War Finance Committees.

-4-

Now all this is good news. It is testimony to the undisputable fact that the ordinary people of America -- those that Abraham Lincoln so feelingly called "the common people" -- are really behind the Third War Loan. They are like the local *union* A. F. of L. official who came to see me today. He said: "Mr. Secretary, we are doing everything we can. But that is not enough. I know it. I feel this war, because I have five brothers in it."

Last night I visited the 6900 block on Berthold Street, here in St. Louis. The very first day of this Third War Loan Drive, every family in every house on this block bought a Bond. And with typical American enthusiasm, the man who lives on the corner, Mr. Kinnel, is matching every one of his neighbors, Bond for Bond.

I wish Herr Goebbels, *Germany's Number Two Big Mouth* ~~the German Propagandist~~, could have visited the homes on this block with me. ~~I can assure you he would not have had a very pleasant time. He would have had a lesson in the American Democratic way of life, that would have shaken him down to his shoes.~~

The front door of every house was open. All the lights were on. All the families sat out on their porches -- from grandmothers down to babies. I went from house to house, and one man ~~thrust forth~~ *offered* a big friendly hand, and said: "Hewdy, Hank. Give my regards to Franklin when you get back to Washington."

Well, gentlemen, that's Democracy. That's our America.

How different Germany is!
~~What a different picture from Germany!~~

The typical block leader on Berthold Street is a fine American woman. Everybody loved her and wanted to help her put the block over the top. In Germany, the block leaders are Nazi party members. They come around for contributions, with a couple of Storm Troopers carrying clubs and brass knuckles. They are so thoroughly hated that ~~refugees~~ *people escaping from Germany* say they will be the first men killed when Germany has a revolution. ~~Over these,~~ *else* The Germans support the war out of terror. They "contribute," or ~~else~~ *else* they disappear into concentration camps and their families never see them again.

~~I don't know of any single single way to more simply or clearly demonstrate the difference between the ~~German~~Nazi way of life and our way, than to compare the way in which these two nations are financing the war. We have no laws, nor any other way to force you to buy a single Bond. Yet, even before the Third War Loan began, even before the block leaders started to work on Berthold Street, and on all the Berthold Streets across the country, we already could boast that five-sixths of all the working people in the country had bought at least one Bond. When the figures are finally compiled for the Third War Loan, I am sure the number of people participating will not only frighten our enemies but will greatly strengthen the morale of our men on the fighting fronts. For as Colonel Elliott Roosevelt~~

I think our way is better. And so do you.

~~XXXXXXXXXXXXXX~~

go the rest of the way to our 15 billion dollar goal, ~~with~~ ^{we} I agree, calls ~~XXXXXXXXXXXXXX~~ ~~and~~ for sacrifice -- if by sacrifice ~~you~~ mean a piano, or a ~~XXXXXX~~ beefsteak ^{dinner} doing without a new hat, or ~~XXXXXXXXXXXXXX~~

The very people who are already doing so much for the war -- sending their brothers and sons off to fight -- working day and night in the war plants -- are going to have to buy these small Bonds upon which the success or failure of the Third War Loan absolutely depends from now on.

But when I think of the men dying at Salerno, at this very moment, I ~~don't agree that it is~~ ^{wonder if it is really a} sacrifice/ to lend your money to the Government. I'm not asking you to give it. I'm asking you to lend it, at a good rate of interest. I'm asking you to ~~XXXXXX~~ ^{put} an extra \$100 ^{into} a Bond that is ~~XXXXXX~~ a safer investment even than cash, because [^] the number of every Bond you own is registered in your name at the Treasury.

Sacrifice? Tell that to the ~~XXXXXXXXXXXXXX~~ youngsters who lost legs, or arms, tonight ~~at Salerno~~ ^{in Italy!}

In full realization that the job ahead of us is ~~hard~~ ^{hard}, let me say flatly, here and now, that I am confident we will [^] reach our goal of 15 billion.

And if the long war ~~XXXXXX~~ ahead makes it necessary for us to have a ~~RiftXXXXXX~~ Fourth War Loan, and a Fifth, and a Sixth -- ~~XXXX~~ I am confident ~~that~~ the American people will meet their responsibility there also. Realistically. Grimly. With ~~firm~~ ^{firm} determination.

~~In the words of a war correspondent, writing from XXXXXXXX~~
~~XXXXXXXXXXXXXX~~
"It should not be a matter of who will lend his money . . . but, rather,

-7-

For we all ^{understand} know, now, how much depends upon us. We know that we must 'Back the Attack'. ~~that~~ We must ^{be} ~~make~~ sure, as our 'Commander-in-Chief' said today ~~xxxxx~~ -- and I quote --
← "We must be sure that we have assembled the strength to strike, not ~~xxx~~ just in one direction, but in many directions -- by land, and sea, and in the air -- with overwhelming forces and equipment."

Thank you.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

SEP 17 1943

TO Secretary Morgenthau
FROM Randolph Paul

There are annexed an original and a duplicate of an assignment to you, by the composer, of all rights to the song, "THE ROAD TO VICTORY", subject to the rights of the American Society of Composers, Authors and Publishers. The holder of the sheet music publication rights has agreed to turn over all profits to the National War Fund and to furnish to the Treasury appropriate financial statements at regular intervals on request.

This transaction was arranged by Mr. Vincent F. Callahan, Radio, Press and Advertising Director, War Finance Division. I recommend that you execute the acceptance at the place indicated on both the original and duplicate of the annexed forms.



KNOW ALL MEN BY THESE PRESENTS, that I, the
said, FRANK LOESSER, hereby give, transfer, assign
and deliver to HENRY MORGENTHAU, JR., as Secretary of the
said Treasury, and his successors in office, the original musical
composition written and composed by me entitled, "THE ROAD
TO VICTORY", including the title, words and music thereof,
together with all rights therein for all countries and
including, without limitation, the exclusive right to publish
said work and to secure copyrights therein, and each and
every exclusive right with respect to said work embraced
within any and all copyrights at any time existing therein,
subject to any rights of the American Society of Composers,
Authors and Publishers.

IN WITNESS WHEREOF, I have executed the foregoing
and affixed my seal at *Los Angeles*, in the State of
California, on the *13th* day of September, 1943.

Frank Loesser (L.S.)
Frank Loesser

STATE OF CALIFORNIA)
COUNTY OF *Los Angeles* ss:

On the *13th* day of September, 1943, before me
FRANK LOESSER, to me known to be the individual described
and who executed the foregoing instrument, and acknowledged
to be executed the same.

George Little
Notary Public

My Commission Expires Feb. 28, 1944

Accepted:

Henry Morgenthau, Jr.
Henry Morgenthau, Jr.
Secretary of the Treasury.

WAR ADVERTISING COUNCIL, Inc.

*Mr. Smith
Please return*

A non-profit organization, representing all phases of advertising, created to enlist the power of advertising for victory

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New York, New York
September 17, 1943

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Mr. Henry Morgenthau, Jr.
Secretary of the Treasury
Treasury Department
Washington 25, D. C.

Dear Mr. Secretary:

I am most proud of the autographed picture which you so kindly sent me. It is the best "distinguished service ribbon" a man in advertising could get.

While I think we have done some very helpful things for the Treasury in an advertising way, I want you to know that your support and appreciation of advertising, your sense of showmanship, and your fundamental belief that if you explain things to the American people they will respond, all combine to make you claimant to the title "Advertising Man of the Year."

I know how busy you are these days, but I am planning to attend one of your rallies or broadcasts and at that time hope to have a chance to tell you personally what an outstanding job I think you are doing.

Sincerely,

Chairman

Chester J. LaRoche
btl

THE WHITE HOUSE
WASHINGTON

Sep.17, 1943.

FOR: The President.

FROM: Secretary Morgenthau.

Think your message to Congress
marvelous. Right on the target.
My very heartiest congratulations.

* * *

8pm-mc

MEMORANDUM FOR THE SECRETARY.

September 17, 1948.

Mail Report

In the week's heavy mail, the Declaration of Estimation and the Third War Loan Drive completely overshadowed all other topics. The moods of letters dealing with these two matters were, of course, far apart. The Declaration brought in not a single kind word, whereas the Drive brought hardly an unkind one. No other subject since the mail report has been issued has touched the bitterness of the protests now being received about the Declaration. These complain unanimously of the complexity of the forms and the waste of material, time, and manpower in completing them. In addition to the protests, more than 60 filled-in 1040-ES Forms, some accompanied by payments, were mailed to the Secretary. There were also a number of informal itemized statements enclosing checks or money orders and a great many letters asking information without comment. These showed in the main complete ignorance of what was necessary; many naively left the figuring to the authors of the perplexing form, and others just said they couldn't understand what was expected and could find no local adviser to help them out.

A dozen correspondents spoke of the hardships that would result from further taxation, and a few still complained of the injustice of deducting the Victory tax from wages earned before it became effective. There were occasional reports of absenteeism on the part of workers who thus keep their wages from rising into higher withholding brackets.

- 2 -

Memorandum for the Secretary. September 17, 1943

Four letters approved the tax program of the C.I.O., seven, the sales tax. An oddity was a group of three letters urging higher taxes to prevent the cost of the war from burdening later generations.

Bond mail was bulky with magazines, newspapers, tear sheets, posters, and photographs. Reprints of the telegram "Will the Fall of Italy Mean Home Front Defeat?" appeared most frequently in newspaper material thus submitted. There was a great increase in the number of slogans, poems, and sales promotional ideas received. Occasional criticism was directed against use of movie stars, the radio programs, or some speakers' statements. These "kicks", however, represented a small part of the mail. On the whole, the tone of Bond correspondence is sure and confident.

The 57 Bonds submitted for redemption represented such a small increase over the number received last week, that it does not seem that the September 15 tax payment resulted in unusual cashing of Bonds. Employees of the War Department (or their relatives) continue to complain of the nonreceipt of Bonds paid for in 1942. These, together with three or four from the Navy, amounted to 52 in all.

With the reconvening of Congress, mail from the Hill took a sharp upturn. Most of the communications transmitted letters from constituents, and these followed the same course - tax complaints and Bond comments - as those received in the Treasury.

Of the attached excerpts, Pages 17, 18, and 19 contain comments on speeches and radio programs. These might have been listed under Bonds Favorable or Unfavorable, but in view of the recent special radio programs, it seemed interesting to segregate comments in this way.

J. G. Forbush

General Comments

Melchór León, Objectos De Arte Chino Para Regalo, Mexico, D.F. With reference to your letter #7092, I take the pleasure to enclose herewith New York draft in the amount of \$180.84, equivalent of \$877.05, to which amounted the 25% of all purchases made by American citizens in this store during the month of August, 1943, that is donated to the U. S. Government for "National Defense".

Vasilios D. Economou, Dayton, Ohio. Because of the many blessings received from the goodness of this Country, I felt that I should make a gift to the Treasury Department. I am therefore enclosing herewith one hundred dollars as such. Will you kindly accept same, giving me your personal acknowledgment of same?

H. D. Carper, 2nd Lt. AUS, Asst. Mess Officer, Jefferson Barracks, Mo. It is respectfully requested that you, on behalf of the U. S. Government accept the enclosed \$50.00 War Bond, made payable to the Treasurer of the U. S. of America, as a contribution towards the Third War Loan Drive. The purchase of this Bond was made possible by the enthusiastic voluntary donations of officers and enlisted men who are assigned to the Reception Center Mess, Jefferson Barracks, Missouri. The Reception Center Mess, I am proud to say, has a representation of 100 percent of its officers and enlisted men receiving War Bonds through the Army Class B Allotment Plan. This 100 percent record is also shared by the sections and companies of the entire Reception Center.

A. M. Wright, Treasurer, Harvard Trust Co., Cambridge, Mass. You will find enclosed our check for \$20 sent to you as an anonymous gift. The giver wishes the U. S. Government to use this for the purpose for which the Third War Loan Bonds are to be used.

- 2 -

Sidi Mohamed Ali Barada, Hollywood, Calif. Enclosed is a check, the reimbursement for one Bond which I bought as a small contribution to the Treasury Department. But after many difficulties I was forced to redeem it, and herewith I am sending the check which I received for it. I do not recall where I read it, but while reading the history of the United States, preparatory to becoming an American citizen, I recall the statement to the effect that in wartime any citizen may make contributions to the Treasury of the United States for the war effort. I have now been repeatedly told by so many people that no gift of Bonds or money is acceptable to the Treasury Department. I tried to buy a Bond each week through payroll deductions at the Lockheed Aircraft Industry and named the U. S. Treasury as my co-signer. But six weeks have passed without a single purchase of Bonds, only notes of rejection of my application for Bonds, saying that my desire to name your Department as co-owner was unlawful. * * * Please help me to do my small part in this war, as up to now my contributions to the Red Cross, slogans, hours on Lockheed's final assembly line, seem to me all too little. Your accepting the enclosed check and any other contribution I may send will help me do a bit more.

James W. Weir, Secretary, West Virginia Publishers Assn., Elkins, W. Va. As you are well aware, and as you have most graciously acknowledged, the newspapers of the United States have given unstintedly of their space, without charge, in editorials, news articles, pictures, and advertising for war financing and the winning of the war for the salvation of the country, but if I may be permitted to say so, a great many newspapers are going to be handicapped in rendering such a service by a ruling of the Post Office Department which provides that where a weekly paper is owned by a daily paper, published in the same plant, the weekly paper cannot pick up the type of the daily unless the major portion of the front page in the weekly is different from that of the daily, and unless one-sixth of the inside pages are different. For such a ruling there is no law, as the Post Office Department admits. I am submitting the matter to you as the

- 3 -

head of another Department so that you may know the handicap placed by the Post Office Department on many newspapers insofar as cooperating with the Treasury Department is concerned. * * *

M. L. Long, Long & Freeman, Attorneys and Counselors at Law, Jacksonville, Florida. Of course you make the coins, but I want to tell you your new pennies are the worst things you ever put out. It is almost impossible, without the aid of a microscope, to tell whether they are dimes or pennies, and the amount of kicking about them here is amazing. I suggest the next ones you make, you either change the size of them or put in some coloring matter so they will not look so much like dimes. I understand also that the penny vending machines throw them out. I do not know that personally, because I have not tried it, but I have heard it.

- 4 -

Favorable Comments on Bonds

Rosa Brown Bracy, Field Secretary of the National Negro Business League, St. Louis, Mo. Your address delivered to the National Negro Business League in Baltimore was as far reaching in its healthful influence as it was from a geographic angle. * * * I wish to express my appreciation of your message, and I hereby pledge my cooperation to make my people conscious of OUR country's need, which will be expressed through cooperation with any program you initiate. Enclosed is my check for \$37.50 for a Bond, and a subscription for a monthly purchase of the same denomination for at least a year.

A. A. Arbetter, Arbetter Ribbon Company, Chicago, Ill. With the Third War Loan Drive now under way, we thought you might be interested in the little sticker we have created for use on our circular mail. We actually buy \$15.00 worth of War Stamps every time we send 1,000 pieces of mail to our trade. * * * Perhaps others might like to adopt this idea, which is entirely original with the writer, and which he is submitting to you to use in any manner you desire. * * * (The sticker reads as follows: "The postage we save sending you this unsealed letter is invested in War Savings Stamps.")

Gabriel Lowenstein, Chairman of the Board, Fred Fear & Company, Quality Food Products, Brooklyn, N.Y. This Company would like very much to subscribe to the Third War Loan. The individuals of the Company are subscribing personally. We come under the classification of Small Business, and we have now tied up with the Treasury Department as of this date, about \$100,000.00 in refunds due us on Alcohol purchases since the inception of the new tax law. Quarterly reports from the inception of the law in November, 1942, to and including June 30, 1943, have already been filed with the Treasury, and the total of such reports filed represents \$56,094.06. The

- 5 -

balance of the \$100,000.00 above referred to will be filed as of the September 30th quarterly report. * * * We would like to convert all of the refund due us, or as much of it as you will permit, into the purchase of the Third War Loan issue 1964-1969. Will you please advise if this can be arranged, and no doubt many others could be induced to take Third War Loan issue Bonds in settlement of their refunds.

Charles B. Dulcan, Sr., Vice President and General Manager, The Hecht Company, Washington, D.C. I want to thank you for your kind and generous note which arrived this morning...and for your commendation of our publicity activities in support of our country's war effort. I need not tell you that we are striving, as you are, to lend every ounce of energy and zeal to help bring about complete success of the Third War Loan.. and the total fulfillment of your plans. Consequently, your expression of approval is received with deep satisfaction, and I want you to know that I am grateful for this friendly and courteous gesture on your part.

- 6 -

Unfavorable Comments on Bonds

A. D. Shamberg, Auditor & Accountant, Telephone Building, York, Pennsylvania. * * * Form P.D. 1787, in addition to requiring the signature of the owner of the Bond, requires the signature of the beneficiary, consenting to the change of beneficiary. This latter requirement is very embarrassing; it would appear the Treasury Department would have foreseen the absurdity of such a requirement. In the case at hand, as would apply in countless others, the beneficiary has no knowledge of his potential benefits. Since he has no interest in the Bond, why must he consent to any change of beneficiary? In the course of one's life, reasons may necessitate the change of beneficiary to his estate perhaps many times. Was the embarrassment to the benefactor given any consideration in devising Form P.D. 1787 in requiring that the beneficiary, in the presence of an authorized certifying officer, consent to being deprived of the potential benefit by having to sign the form? * * *

Wallace Odell, Westchester County Publishers, Inc., Yonkers, N.Y. I noticed today that you sent a three-page telegram to all papers about a special advertisement on the War Bond Drive. This must have tied up a great amount of the telegraph companies' facilities. * * * I think if you had offered this copy to the three press associations -- A.P., U.P., and INS., that they would gladly have put it on their trunk lines, thus saving a lot of time, expense, etc. Their services reach all papers. It is a suggestion and made only with the thought of being helpful in case such a situation arises in the future.

Charles F. Andrews, Adjutant Quartermaster, Veterans of Foreign Wars of the U.S., Alexandria, Virginia. At a regular meeting of Post #609, VFW of US of Alexandria, Va., September 7, some pictures of dead American soldiers published in the Washington Daily News, were

- 7 -

shown. After various discussions it was regularly moved and seconded that this Post go on record as protesting the publishing of this kind of pictures in the future. We understand these pictures were published to arouse the public to subscribe more heartily to the Third War Loan Drive to start this week. It is our belief that pictures of this sort are more harmful to the morale of the home front than good.

R. A. Avenius, White, Weld & Co., N.Y.C. Last night I listened to your appeal over the radio, also that of President Roosevelt! As I was listening it came to my mind that perhaps a little check-up on the War Bond Division of the Army Service Forces might not do any harm. My son, Rodney G. Avenius, enlisted in the Service in August, 1942. He contracted to buy a \$25.00 Bond each month, and the money has been taken out of his pay each month. Up to this writing one Bond has been received, dated October, 1942. Since then nothing has come with the exception of a Form Letter which I am enclosing. I have written various times to the War Bond Division in Chicago asking for some information, and this same Form Letter comes back every time. Personally, I do not see how the desire of the soldiers to buy these Bonds can be maintained if the Bonds they buy and pay for are not sent to their families. * * *

J. L. Harris, President, Security National Bank, Cairo, Ill. The Treasury Department has requested the banks not to ask a service charge for sending in War Savings Bonds to Federal Reserve Banks for redemption. I think this would encourage more people to cash in their Bonds. People who cash in Bonds lack patriotism, and should pay for service rendered by the banks. We have instructed our personnel to try to discourage people from cashing Bonds, and to offer to lend them a limited amount, which they can repay weekly or monthly. Ninety percent of the people could keep their Bonds if they did not buy that which they could do without for the duration of the war. Many have larger wages than they ever dreamed of earning and are spending it freely. I believe that people

- 8 -

should be discouraged in cashing Bonds and that news broadcasts should be sent out, saying it is unpatriotic to cash in Bonds instead of helping finance the war, while our boys are giving their lives to win the war. The percentage of Bonds cashed in may be small, but it should be less. My observation of this practice in our bank is sufficient evidence. Why print Bonds, have banks sell them, and then cash them in sixty-days later. All this is expense and time lost. It should be discouraged by sufficient charge to justify the banks for their time and effort. * * *

Harry L. Augusta, Framingham, Mass. Last night in your broadcast you stated that Mr. Winston Churchill purchased the first War Bond on the new Drive which opened this week. Now the following question comes up. A friend of mine who is a pilot in the British Air Service tried to buy some Bonds recently but was told that he could not because he was not an American citizen. Is there a distinction between Mr. Churchill (British subject) and my friend (British subject)? My friend had in mind the fact that after the war he would like to settle here and his savings in War Bonds would help him out, but he felt rather sheepish to find he could not because of his nationality. This question will arise many times in the coming months and I feel that if one nationality is at liberty to purchase Bonds, then all persons of that nationality should be allowed to do so.

Mrs. E. L. Edwards, Johnstown, Pa. * * * I have a sister working in New Cumberland, Pennsylvania, at the Induction Centre, packing soldiers' clothes. She has worked there for 14 months and they are compelled to buy War Bonds amounting to \$12.50 in six weeks. In all these months, most of the girls have not received either the Bonds or a receipt to show what they have paid out, and they can get no information about them. Isn't this a little irregular? Most every one whom I know in civilian life

- 9 -

gets their Bonds as soon as they are paid for. Most of these girls and women are in very modest circumstances, and when they are willing to buy them, surely they should get either the Bonds or a receipt. * * *

James Bly, Brookhaven, Ga. Today Mrs. Bly and I walked to our little Post Office to buy a \$100 War Bond, but the clerk would not accept our personal bank check, although they were very kind and considerate -- "We", they said, "have orders not to take personal checks". We have no Bonds and we do so much want to loan our money to this Third War Loan Drive. If a Postmaster knows a citizen, and knows his check is good, why doesn't this branch of our Government cooperate? If necessary, the Postmaster could run this check through the clearing house in two days; they then could mail us our Bond. I don't think it would take an Act of Congress for the Post Offices to be helpful in this grim time.

Oscar Lange, Washington, D. C. * * * My wife and I went last night to the exposition grounds fully enthused to "Back the Attack", and bought two \$100 War Bonds for our grandchildren. We inquired for tickets to the show in the Arena there and all over the place there were none to be had and no one could tell us where or how we could get any. Now it is the people's money that is being spent, and the people should enter on the basis of first come, first served, and not on the basis of democrats, bureaucrats, or Government employees -- very likely 50% of all those who gain admission have not bought any extra Bonds. While standing for almost an hour to get in, there was quite some talk in the crowd of tickets being passed out freely in the different Government Departments, which is not FAIR.

O. H. Lachenmeyer, Publisher, The Cushing Daily Citizen, Cushing, Okla. We have your four-page telegram of September 9, suggesting a page display ad for the Third War Loan. We will make an effort to have it

- 10 -

under-written in a local way. We find these pages increasingly difficult to sell. The firms feel that they are called upon to purchase the maximum amount of Bonds and should not likewise be asked to buy the display space. We feel that it is asking too much of the newspapers, with all of the news publicity that they give, to run this advertising free. Did the telegraph company send this four-page telegram without charge? Do the mat people make your mats without charge? * * * Smaller newspapers of the nation are facing the most critical time in their history. * * * It is fast becoming a question, not of whether newspapers are willing, but of whether or not they can continue to do all that they are being asked to do, at their own expense. * * * We feel that the Treasury Department represented by you, is taking a very arbitrary stand in opposing paid display advertising by newspapers. Because they accepted pay from the Government for a commodity that they sell every day would not mean that they are being subsidized, any more than any other manufacturer of a staple product. * * *

Philip L. Soljak, San Francisco, Calif. I am a New Zealander, employed by the British Ministry of War Transport in San Francisco, and have been very happy to invest 10% of my salary in U. S. War Bonds. However, I have been disturbed by frequent remarks made to me by American friends that War Bonds "may not be worth much after the war", and that for this reason they are not putting more than they can help into Bond purchases. They base this belief on the fact that Liberty Bonds depreciated after the last war, and that a repetition may be expected. This unintentional encouragement of Axis propaganda is indulged in by people of educational and professional standing who ought to know better. None of those I know have any Axis contacts or relationships, but are of "Anglo-Saxon" American stock. * * * Personally, I have as much confidence in U. S. Bonds as I would have in British or Dominion Government stock. However, I feel certain that the spread of this dangerous talk is damaging the sale of War Bonds, and inducing many people to cash those they have purchased. I would like to suggest

- 11 -

that your public relations department check on this situation and take the necessary measures to correct it. * * *

W. H. Fletcher, Pittsburgh, Pa. In the news reel at a theatre the other night Mr. Churchill was shown as getting the first Bond under the 3rd War Loan. Mr. Churchill being Prime Minister of England is not a U.S. citizen nor a resident. How can he own one of these Bonds? When I started to buy them two years ago, I wanted them to be issued in mine and my sister's name jointly, or as co-owners, but this was turned down because, while I am a U. S. citizen, she is a Canadian (living in Canada), and because she is a Canadian, and no Bonds can be sold other than to U. S. citizens, I had to have them issued in my name solely.

E. W. Newman, Chairman, 3rd War Loan Campaign, Stone Wall District, Shen County, Virginia. (Telegram) Due crop shortage with apples should be good prospective buyers 3rd War Loan Bonds. Present harassment by Washington heading entire industry toward calamity and apples now falling while alphabetical administration organizations fiddle and play, regardless of nature. Orchard industry will not only suffer, but also consumer account of indifference, etc., on part of OPA and others. Sixteenth set for release of prices. This too late. However, should not be delayed one minute. Use every ounce of your influence and efforts; have decision made and announced no later. May be able yet to place Bonds with orchardists before end of drive.

- 12 -

Favorable Comments on Taxation

Copy of letter addressed to Senator McKeller by Leon Ferguson, Memphis, Tenn. I have noticed newspaper stories about possible new taxes to help pay for this war; also the Third War Loan Drive is now under way, and I want to let you and some of the other Senators and Congressmen know what I think about all this. * * * Naturally, I don't want to pay any more taxes than I have to, but this war has got to be paid for and I think we should make an effort to pay a greater part of our war costs as we go along. * * * If prosperity continues for a few years after the war's end, that's fine; we can continue to pay high taxes. * * * On the other hand, if we have a depression and can ill afford to pay high taxes out of reduced income, we will have a good part of the war debt out of the way. Thus I feel that I would rather pay as much as I can stand now than later on when I might not be as well off. I have read that Senator George thinks the American people cannot stand any more taxation, but it's my opinion we can stand higher income taxes. * * * We know the war has got to be paid for and I guess we might as well get the unwelcome job over with as fast as possible. * * * And in this connection, I have one special request that every taxpayer will welcome wholeheartedly, please have the Treasury Department use some sort of simplified income tax return form, and don't make it too hard for us to figure our taxes out.

- 13 -

Unfavorable Comments on Taxation

Alvin F. Harlow, 382 Wadsworth Avenue, New York City. I am sending with a copy of this letter my "Declaration of Estimated Income and Victory Tax" for Sept. 15 to the local tax collector, and I wish to take this opportunity of going on record as protesting against this absurd and impossible requirement. My total income so far for 1943 has actually been only about \$500.00. I have a new book published this summer, but I have no more idea how many copies of that book the public is going to buy during the remainder of the year than I have of knowing what will happen to me, if anything, beyond the grave. * * * Under such conditions, how on earth can I guess what my income will be during the remainder of the year? And yet I am told that I will be penalized if I guess wrongly. * * * I shall hold a copy of this letter as proof that I warned you of the impossibility of complying with so nonsensical a law. It is feasible for a man who is on a regular salary, but not for the rest of us.

Herman Krohn, Public Accountant, Easton, Pa. It has been my privilege to deal with the Internal Revenue Department over a period of 28 years that I have been in public practice. Never before has my work become so burdensome and impossible of performance as it is at this time in connection with the preparation of the Declaration of Income and Victory Tax due September 15. We are short of help in the office and cannot obtain relief. In addition to this work, my office is also engaged in assisting the various clients, some in the defense industries, in meeting with Government representatives in re-negotiation conferences and much other paper work from other Government agencies. The situation is impossible of solution, except if a 30-day blanket extension is granted by you for the filing of the September 15 returns. * * * We are doing the best

- 14 -

we can, but physical and mental endurance under pressure of a tremendous amount of cumulative paper work is becoming unbearable. * * *

Harry A. Trumbore, Brown & Bigelow, Remembrance Advertising, St. Paul, Minn. Recently I received as a prize for work well done, a Bond, \$50.00, in reality, only \$37.50 in cash. On this Bond the company collected the sum of \$9.38 in taxes. Which means 25% of the real cash value of Bond. Have had them re-check this sum, and they insist it is correct. Please advise what the correct tax should be, was not aware of any tax at all, had not paid it before. They say this amount is made of the Social Security tax on Bond, never heard of such a thing. Please clarify and state source of tax, etc., on Bonds given as gift by company for whom person is working.

Copy of letter addressed by Arthur J. Chadwick, Philadelphia, Pa., to the Editor of the Philadelphia Record. Knowing that one of the requirements of newspaperdom is to express thoughts clearly, I ask that you render unto the public an understandable interpretation of Mr. Morgenthau's #36206 wherein I find the following language: "Generally speaking you will not have to file this declaration or make a payment on September 15 if your wage or salary is subject to withholding, and if your income is not more than \$2,700 a year if single, or more than \$3,500 a year if married." I have not been able to find any two people to agree as to what is meant by the above. One says that if your wages are subject to withholding, then in no event must you file a Declaration or make a part payment. Another says that if you are single and your wages are less than \$2,700 per year, the same is true. The third insists that any married person making more than \$3,500 need file no Declaration. From which the professor says that a Declaration need be filed and a payment be made

- 15 -

only by single and married men with incomes between \$2,700 and \$3,500. The question is: Who is right? If no one of the four, please have the Philadelphia Lawyer give his answer. Incidentally, the public would like to know what salary Mr. Morgenthau's language expert receives for his aptitude in setting forth simple ideas in the language used.

Fred Damrau, N.Y.C. * * * I am a member of the Police Department of the City of New York. In 1939 I was suspended without pay and remained so until February, 1942, when I was re-instated and back pay for this entire period was given to me. * * * In February 1942 I was given all my pay. Thus my earnings, which are the basis of income tax, were given to me in a lump sum of \$7,500, and during the balance of the year I earned enough to top \$10,000. I did not earn \$10,000 during that particular year. * * * Your office at 1 Hanson Place, Brooklyn, says I earned over \$10,000 in one year and must pay at this rate, instead of permitting me to file each year separately. This will cost me an extra \$564.47. If I were to file this figure I would be committing perjury -- I am required to file on annual earnings -- my annual earnings are fixed by law at \$3,000.00. I put this matter to an Appeal Board. They decline to rule and inform me I must go into the Tax Court. This will cost me about \$200, which I do not have. Also, bear in mind that during my suspension period I did not file any return on any other income because I did not earn enough. * * * Every available Government official that I have been able to contact informs me that the procedure is unjust, but inasmuch as one agent decided I am in the \$10,000 per annum class, I must pay accordingly. This ruling is outrageous; it is not even common sense. Am I to have no defense without going to borrow more money to pay legal fees?

R. G. Lochiel, Treasurer, Pennsylvania-Central Airlines Corporation, Washington, D. C. It has been brought to the attention of the management of Pennsylvania-Central Airlines that an alarming number of our hourly-rate

- 16 -

employees are absenting themselves from work when their earnings have reached the top of a wage bracket, in order to avoid the additional withholding tax which would occur if these employees worked additional hours. In many cases, employees actually draw a larger pay check by this stoppage, the pay for the additional hours being less than the withholding tax difference between the two brackets. * * * If your Department has prepared any material which could be used, or has any suggestions to offer to combat this unpatriotic waste of time, this company would be very grateful to hear from you.

Lemuel A. Boyce, Peach Bottom, Pa. I received your notice asking for an estimate of my income tax for 1943, or, as per 1942, whichever is the greater. I have not made more than \$2.50 in 1943, since January 1, 1943, on account of sickness. Will my income tax be the same as it was in 1942 when I made about \$1,400, and where is the money to come from to pay said tax? * * *

- 17 -

Comments on Speeches & Radio Programs

J. S. Marie, Philadelphia, Pa. That well-known "beer garden" comedian who preceded you and the President last night during the Invasion Bond selling campaign was a very poor representative for the Treasury Department inasmuch as he used propoganda invented by the gambling racketeers, and these latter, I think you should know, are mostly fascists in America. He probably got a high price from the gamblers for taking the spotlight on a U. S. Treasury Department program in which both the President and the Secretary of the Treasury participated.

Harriot T. Cooke, Washington, D. C. Do you really think that the American people are appealed to by such maudlin programs as that of the Treasury last night? * * * I have a son-in-law and a grandson at the front. * * * They are patriotically serving their country and I am trying to do my bit in the only way I can at over three score years and ten. In the last war I was Vice Chairman of three Liberty Loans (Women's Division, Orange, N.J.), and Chairman of the Victory Loan. * * * Quite frankly, the appeals of Hollywood stars would have left me cold then as they do now. Let's put this thing on a higher plane -- not on emotionalism, but on one of realistic approach to what each of us is fighting for -- "our life, our liberty and our sacred honor."

Postal Card from Mrs. E. A. Giard, Willmar, Minn. Except for the President's address and yours, what a sad program your Bond Drive program was. Why do you have to have mediocre talent like that? Why can't we have something dignified, beautiful and moving, worthy of a great national drive?

J. Henry Haggerty, N.Y.C. Regarding the program of Sept. 8th promoting the sale of War Bonds. Whoever wrote the

- 18 -

script of this program either didn't know what he was supposed to put across, or he avoided the issue to gain a few laughs. The program, I understand, was to arouse the public to purchase War Bonds. An attempt was made, by means of a battle-front skit, to show the sufferings and hardships of our soldiers "over there"; dramatic music and moving commentary accompanied. But just as soon as we had realized the seriousness of the war and had come to realize also that we "home-fronters" were being too complacent about the whole thing, some writer decides to fill up time or get some cheers for a few laughs by throwing in George Burns and Gracie Allen. These two certainly put on a humorous act; but their jokes removed the serious and contemplative mood instilled in our minds by the previous dramatic skit. Consequently, the first skit was forgotten. Again a soul-stirring drama was portrayed; and was followed by Edgar Bergen and an unspirited rendition of an uninspiring song called "Praise the Lord and Pass the Ammunition". Each time our minds were worked up to a bond-buying pitch, boom, some frivolity would ruin it all. The whole affair was ridiculous. It is no way to arouse people to buy Bonds. Either give them free laughs, or make them realize the seriousness of the national emergency. I realize that it is too late now to do anything about that broadcast, but when you begin campaigning over the radio for the Fourth War Loan, please have your program manager use a little common sense.

Mr. S. Bezuhly, Hillside, N.J. The night of September 7 I heard the official opening of the Third War Loan over the air on the "Cavalcade of Stars Program". I heard you and our President make a plea to the people to invest their money in War Bonds to help put over the \$15,000,000,000 quota. Your words gave me an inspiration to write about this loan. You will do me a great honor in reading the enclosed poem.

Robert A. Sutherland, Wilmette, Ill. I have just heard on the radio a few minutes ago an announcement stating, "This is the Treasury of the United States, and we now

- 19 -

introduce So-and-So's Jazz Band", or word to that effect. Whereupon followed a cacophony of outrageous sounds, with an occasional appeal to buy Bonds. This is to advise that I most strenuously protest, as I am sure millions of Americans do, the use of tax money or any part of the proceeds of Bond sales in paying for the use of jazz bands to endeavor to promote sales of Bonds. Our honored dead would turn in their graves if they knew that the U. S. Government had descended to such lack of dignity in promoting what should be and I am sure is with nearly all people, a patriotic, conscientious and dignified duty.

John Gray, Los Angeles, Calif. (Telegram) Local papers do not have full text of your address. It is very necessary that the full text be sent from your office at once because we want to put it into the hands of 12,000 men in the Los Angeles Ship Building and Dry Dock Corp. at San Pedro. It was an inspiring speech and just what the home troops needed. We want to emphasize it in connection with not only our Bond Drive but in the actual replacement of equipment gloriously lost. Send to Room 713, Broadway Arcade Building.

Mrs. Mary Woodhull Stevens, Haddon Heights, N.J. * * *
May I tell you that your message of last night to our citizens stirred my heart to its patriotic depths. Every time I contemplate Thomas Jefferson's life, I love and admire him the more. Wish I had your splendid message in type to read and re-read. * * *

ADDRESS BEFORE THE
NATIONAL ASSOCIATION OF SUPERVISORS
OF STATE BANKS
IN CINCINNATI, SEPTEMBER 17, 1943

BY

MARRINER S. ECCLES
CHAIRMAN OF THE BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

"THE DUAL SYSTEM OF BANKING"

FOR RELEASE WHEN DELIVERED

AT 2:15 P.M.

THE DUAL SYSTEM OF BANKING

When your President, Mr. Perry, wrote to me in July inviting me to attend this annual convention of your Association, he told me that he wished to build the program around this central theme:

"In the wartime and postwar eras, how far, and by what means, is it desirable or possible to preserve the dual system of banking?"

That is an important and challenging subject. It implies that there are two sides to the issue. It implies that you are willing to hear both sides. I could, of course, be politic and say only what I think you would prefer to hear, but I doubt that your invitation to me was based upon the assumption that I would appear here as a champion and defender of the dual system. On the contrary, I imagine that you expected me to play the role of the devil's advocate, though, of course, as I see it, I am on the side of the angels. On one thing, however, we can agree. As public officials responsible for banking regulation, we all want a strong and successful banking system. It cannot be strong unless it is successful. We all favor what we believe to be in the public interest. And what, in fact, best serves the public interest will survive in the long run.

As a one-time banker and then as a sharer of the numerous supervisory headaches with which you are all familiar, I have known a good many of the State supervisors well and favorably, despite their tendency to differ with my views. So far as I am aware, I have never succeeded in converting any of them to my viewpoint, notwithstanding the cogency of the arguments on my side of the case. So I will be neither surprised nor disappointed if in this session you are not won over to my side. Nor is there cause for alarm lest your commissions be swept suddenly away, for this is a most venerable issue, this question of the dual banking system, and the related issue of branch and unit banks. In all probability we, or our successors, will still be debating these issues far into the post-war world. Economic forces and modern needs, rather than what may be said here, will ultimately determine the character and functions of our banking system.

In what I have to say I can speak only for myself. I am well aware that the division of opinion on questions of unification and branch banking extends beyond State boundaries into the Federal banking agencies, including the Board of which I am but one member. But I am confident that the cordial and cooperative relationships which have existed between the Federal Reserve and the State banking authorities will not be marred because I happen to believe in a unified banking system and in well-regulated branch banking limited to trade areas.

Our banking structure has had a piecemeal growth throughout our history. It reflects the cumulative efforts of public authorities, State and national, to meet recurrent emergencies and to deal with specific problems and competitive conditions. It has not been developed in accordance

- 2 -

with any comprehensive plan based on the country's banking needs taken as a whole. As the country expanded, its need for money and credit grew. In order to supply those demands, banks were formed in the quickest and easiest manner possible, with little or no direction or regulation, until abuses and difficulties arose. We all know that the history of banking in this country is filled with crises and disasters, with fulminations and fumbings for reform. What has developed hardly justifies the term "banking system". Although we can now have far more confidence in the soundness of our banks than at any time in the past, further improvements are urgently needed. They will come about, no doubt, in the future as in the past by gradual steps. To those who believe, as I do, that it is not in the best interest of the public or of the private banking system to maintain things as they are, the process will seem painfully slow.

The first duty of the Government, as I see it, is to create a climate and a condition conducive to a maximum of sustained private production and employment. Its next obligation, inescapable in the modern world, is to provide the opportunity for employment, in a way that will stimulate and not impede private enterprise, at such times as deflationary forces endanger economic stability. Conversely, its powers must be used to offset inflationary developments at the other end of the cycle. In other words, Government can and should be an economic balance wheel, helping to keep the economy going ahead on an even keel.

The most important governmental powers affecting economic stability are fiscal and monetary. Most of us recognize that it is essential in wartime to have close coordination between Government policies and those of the banking system. The banking system fully subscribes to the objective of financing war costs, not covered by taxation, by borrowings from nonbank sources. It is clearly recognized that the banks should finance only that residue of war costs which cannot, or at least are not, met by taxing and borrowing from the public. There is general acceptance both of the policy of maintaining approximately the present pattern of interest rates and of limiting Government obligations purchased by the banks to certain types and maturities of issues. Central banking operations have at the same time supplied the banking system with such additional reserves as are necessary to effectuate these policies.

Essential as it is in the national interest to have this high degree of coordination in fiscal and monetary action in wartime, it is equally important from the standpoint of national economic welfare to continue it in peacetime. Looking to the future, the Federal Government is destined to play a crucial role in the maintenance of economic stability. It is difficult to see how its basic functional powers can be effectively employed to this end so long as the nation's banking machinery is a hodge-podge of some fifty-two different jurisdictions, laws, and supervisory agencies, so long as approximately half of the banks of the country are subject to uniform central banking policy and half are not, so long as

- 3 -

these multiple agencies, State and Federal, with their differing philosophies, divided and conflicting policies, dominate the banking picture. While coordination is extremely difficult, admirable efforts have been made in this direction. They are in reality an admission of the need for unification of banking regulation and for clearly fixing responsibility where those who bear it can be effective and be held accountable.

The sovereignty of Government over the nation's money supply is beyond challenge. It is clearly recognized and declared by our Constitution. Demand deposits, as you all know, have become in the past sixty years the major part of our money supply. Control over their expansion and contraction should reach to all banks that are in a position to create them. Banking reserves which limit the money supply are thus crucial. It follows that reserve requirements should be made applicable to all banks of deposit. It is inequitable as well as ineffective that only the member banks of the Reserve System are subject to changes in such requirements while those banks which elect to remain outside the System, or those which are now members and which choose to withdraw, can escape sharing in what is a national responsibility.

While it is true that some States voluntarily set the same reserve requirements for nonmember State banks that are fixed for member banks, the State banks are permitted to count vault cash and to carry their reserves as deposits with other commercial banks. This has a very different monetary effect from carrying these reserves with Federal Reserve Banks. Reserves carried with Federal Reserve Banks are entirely unavailable for lending, but only twenty per cent or less of reserves carried with member banks are unavailable. This makes for a heavy dilution, but not for effective control.

Likewise, bank examination policy, with its direct influence upon bank lending and investment, which are money-creating operations, needs to be closely coordinated with national monetary policy. Notwithstanding the degree of coordination sought by the agreement among the three Federal bank supervisory agencies in 1938 and subscribed to generally by the State authorities, the result is at best a compromise and not a real solution.

Almost every aspect of banking regulation and supervision is made more difficult and less effective by the existing structure. I need not recount to you the innumerable conflicts, discriminations, divided and overlapping authorities, that characterize the banking picture in this country. As the Federal Reserve Board declared in its Annual Report for 1938, "The banking picture emerges as a crazy quilt of conflicting powers and jurisdictions, of overlapping authorities and gaps in authority, of restrictions making it difficult for banks to serve their communities and make a living, and of conditions making it next to impossible for public authorities to apply adequate restraints at a time and in conditions when this may be in the public interest." That report suffices to show the need for modernizing

- 4 -

and streamlining the banking structure of this country as modern business and industry in almost every conceivable line of endeavor have been modernized and streamlined. Attempts at coordination, commendable as they are, reflect, but are not a practical solution of the problems.

Now all of this, you may say, is just my philosophic approach. I am trying to sketch it in because it is my basic reason for believing that the dual banking system, as now constituted, is outmoded and that economic forces -- not mere debate -- will compel its adaptation to the financial needs of modern economic life.

It is not long ago, as time is measured, that we were predominantly an agricultural nation. Local communities were relatively self-sustaining. Industries were largely locally owned and comparatively small. As the great railroad systems of the nation developed with the westward march, new towns and villages sprang up along the way. Each had its local, more or less self-contained economic life, its stores and its banks. This was in a day of a relative scarcity of capital. Interest rates were high. Too often banks took the risks and the losses that should have been borne by risk capital and not by bank stockholders and depositors. This era of rapid, steady expansion faded out with the advent of the large mergers and consolidations in the industrial world, with the development of modern transportation and distributive systems. Attempts to halt this march of progress by anti-trust, anti-chain store legislation or other statutory pains and penalties have largely been in vain. It requires no gift of prophecy to foresee that the same economic forces will in time compel the banking system to follow a parallel pattern.

The answer to the theme question of this session is not hard to discern as you look back at the fate of thousands upon thousands of the small unit banks which once thrived. By 1921 we had more than thirty thousand commercial banks in this country. More than twenty-two thousand of them were State banks, while some eight thousand were national banks. As of last June thirtieth, the number of State banks had shrunk from twenty-two thousand to about nine thousand, and there were about three thousand fewer national banks. There has been no banking mortality remotely approaching this sad record in any other nation on earth. The disappearance of more than thirteen thousand State banks and three thousand national banks as well -- whether it be through failure, through merger, or through voluntary liquidation -- is eloquent proof that something was fundamentally wrong with a system that permitted so large a number even to come into being.

We have expended more in time and money on bank examination and supervision, conducted by at least 52 separate State and Federal agencies, than any nation in the world. It involves unnecessary waste of manpower at a time like this. It did not and could not of itself protect the depositors, stockholders or customers of the thousands of banks that went to the wall, even during the so-called prosperous Twenties. Aside from voluntary liquidations or absorptions, nearly ten thousand State banks, with aggregate deposits of

- 5 -

close to five billion dollars, folded up in the Twenties and early Thirties. At the same time more than two thousand national banks, with deposits of only slightly less than two and a half billions, went to the wall. Most of these were independent unit banks. Banks that survived the Twenties and then weathered the economic disaster of the early Thirties were necessarily the strong and not the weak. What saved them in the end was the avalanche of money poured out by the Federal Government -- the billions in loans and capital supplied directly to the banks by the RFC and the additional billions furnished to others through the RFC, the Farm Credit Administration and the Home Owner's Loan Corporation, which made it possible to liquidate the frozen and defaulted credits held by the banking system.

As you in this audience know, bad management and other human defects were minor and not major reasons for the epidemic of failures. The mortality was greatest through the Twenties among the smaller institutions in the agricultural regions. They were the victims of depressed agricultural conditions. Thousands that managed to come through in the country and in the cities only to succumb in the early Thirties, were likewise primarily the victims of economic distress and disaster with which they could not cope individually and from which the most diligent supervisory and examination policy could not save them. Since the bank holiday, the rising price level has made good the assets of numerous banks that were closed then and of many that would not have been reopened had strict examination policy been uniformly applied. The rising price level, not deposit insurance, has reduced bank mortality to a minimum.

The record of bank failures in this, the richest country on earth, might have been much better -- it could hardly have been much worse -- had examination and chartering policy been more restrictive in boom times and if, especially during depression, runs had been averted by deposit insurance. However, deposit insurance, which I strongly favored at a time when most of my banking contemporaries regarded it as a scheme for making good banking pay for the mistakes of bad banking, cannot cure the basic weaknesses. The attempt to do so at this stage by making chartering and examination policy increasingly restrictive, would lead only to depriving the public of needed banking services in innumerable communities. This, in turn, would lead to demands upon Government to furnish through its agencies the credit services that the banks would otherwise supply. It would mean additional Government encroachment upon the field of private banking enterprise.

Even today, during the greatest of all war booms and despite the enormous growth of deposits, many of the smaller banks are having difficulty in making a living. It is difficult to attract new capital into the banking system. Moreover, the process of contraction in number of banks is continuing -- fortunately through voluntary liquidation of existing units unable to operate successfully, and through mergers and consolidations, rather than through the disastrous process of failures.

- 6 -

The solution is not to be found in more and more restrictions applied to a basically faulty structure. The solution lies in a unified system with branch banking. We alone among the leading nations have failed to develop such a system. We alone have deposit insurance. We need it as long as the basic faults of our banking structure remain uncorrected, but the need for it would disappear, and bank failures would be as rare in our country as they are in other great nations, if we would deal with the causes instead of continuing to deal with the effects of the basic weaknesses in our system.

Merely to unify the banking system under one regulatory authority would not be a sufficient remedy. As I have sought to stress, the problem is basically an economic one. The question is, can the small independent unit banks expect better earnings in the future? Or, of greater importance, can they provide their communities with adequate credit facilities and bank services at costs as low as those prevailing elsewhere? In this vast country there are many so-called creditor areas which have a surplus of savings over local credit and investment needs, and others, debtor areas, where the demand for funds exceeds the local supply. But we have a banking system which requires for the sake of liquidity that banks in the debtor areas send funds to the creditor areas, whereas the reverse should be the case. Farmers and home owners and small businesses are demanding better and cheaper credit facilities, while banks in their communities hold idle balances in large city banks or buy low interest-bearing bonds. But to protect their depositors they cannot afford the risk of having all their assets invested at home. Is there any wonder that borrowers come to Washington, in times of business contraction, and ask for new Government credit agencies? I am opposed to Government subsidized competitive agencies taking away business from the banks. But is the widespread outcry against farm credit agencies really based upon a fear of socialized credit and does it really attack the cause of the trouble?

These Federal agencies, as has been said, were "born of pitiless and inexorable necessity" in a time of adversity when the banks could not meet desperate agricultural needs, and at the time were welcomed by the banks as they were by farmers. Many of the credits they extended were not bankable loans. But even if they could be abolished over the opposition of organized agriculture today, which I very much doubt, that would hardly mean the difference between profitable and unprofitable banking operations.

You have only to look at the unprecedented and still growing volume of bank deposits created as a result of war financing to realize that relief cannot be expected to come through a rising interest rate structure after the war. The command over the interest rate structure which governments have exercised during the war will not, in my opinion, be relinquished afterward. In view of the huge debt-refunding operations that the Government will have to carry on and the disruptive effects of a falling bond market, or, otherwise stated, of a rising interest rate on

- 7 -

these operations, it is hardly likely that the responsible authorities would fail to exercise their undoubted powers of control to prevent any such wide fluctuations in interest rates as would afford the banks a hope of rising returns from this source.

Moreover, the vast volume of funds that have already come or will come into existence before the end of the war presents a competitive situation that is hardly designed to result in increased rates and earnings by the banks. These deposits are owned by insurance companies, mortgage companies, finance companies, building and loan associations, business and industry, as well as by many other potential lenders, individual and corporate. I have recently seen funds advertized for lending in the mortgage field for as long as forty years at but four per cent. Banks must face the necessity of adapting themselves to meet such competition and at the same time, through diversification and sound management, safeguard the interests of their depositors and stockholders.

I recognize that a banking structure that may best serve one part of the country may not be adapted to another part. Generally speaking, in the Eastern States, where larger diversified banking units predominate and distances are relatively short, there is no such public need for trade-area branch banking as is the case in those sections of the country where distances are great and where the banking units are necessarily smaller and far less diversified in their lending and investing activities -- indeed, often they are too reliant upon conditions in one or only a few lines of agriculture or industry.

I have long felt that limited branch banking is the practical solution of the banking problems confronting those areas where unit banks cannot succeed. I have never favored nation-wide branch banking, or its extension over wide areas. I do feel, however, that it should be permitted within limited trade areas, in no case exceeding the limits of the immediate area served by the head office or by a branch of a Federal Reserve Bank. I believe that the independent unit bank should be protected, however, by a statutory provision prohibiting establishment of any branch in a community already served by a unit bank or by a branch of another bank. The banking authorities could, of course, permit establishment of another bank in a community if the need for it existed, but under the provision I have in mind, a branch could only come into the community by acquiring a unit bank which had been in existence for at least five years. Such an acquisition would have to have the consent of the bank supervisory authorities in order to prevent monopolistic tendencies. Under such provisions, a market would be provided for the stock of a unit bank in case the stockholders desired to sell because of unprofitable operations or for any other reason. At present the owners of the smaller unit banks are greatly handicapped in having no opportunity, in most cases, to dispose of their investment, if they wish to do so, at anything like a satisfactory price.

The smaller unit banks face many difficulties and disadvantages as compared with branch banks. The smaller units are so limited in their lend-

- 8 -

ing capacity that more and more, as business, industrial and agricultural enterprises have enlarged, they have had to turn to the banks with large resources for their financial requirements. The smaller units do not have the opportunities afforded the larger institutions to diversify their lending operations and thus spread the risks. They cannot afford to employ the specialized management in the various lines of lending and investing activity that can be employed by the larger banks. They are not able to offer the variety of credit and other services, and they lack stability and continuity in management, as compared with larger banks with branches. Accordingly, I see in a branch banking set-up such as I have outlined a practical and logical solution of the problem, both from the standpoint of providing needed banking services for the public in many communities and from the standpoint of the interest of the unit banks themselves.

The present branch banking laws discriminate unfairly against national banks. While Federal law permits a national bank to have branches in those States where State law permits branch banking, the Federal law requires the same capitalization for each branch of a national bank as for establishment of a new national bank. Most State laws impose no such capital requirements. If both State and national banks were put on an equal footing with respect to branches and the independent unit banks were protected as I have suggested, it seems to me that it would be in the interest of all concerned.

The public interest and public needs will, I am confident, determine in the end the pattern that will be followed. It is not the public which has opposed branch banking. As Senator Glass said when the subject was being debated in the Senate some years ago-- and he has had more legislative experience with banking problems than any man in public life in our times --

"The plea against branch banking comes from bankers and not from people who transact business, not from people who want to borrow money, not from people who want to buy credit. It comes from bankers who want to exclude from their peculiar communities anybody else who wants to sell credit."

And you will perhaps pardon me if I recall to your mind that the same Senator is the author of the statement that "the curse of the banking business of this country is the dual system".

Now, I have not advocated abolishing State charting and supervision because I have felt, or at least hoped, that a sufficient degree of unified policy and action could be brought about, short of so drastic a change, by requiring that State banks, like national banks, be members of the Federal Reserve System, by a consolidation of Federal regulatory and supervisory authorities, and by development of branch banking as I have indicated. Nevertheless, I must confess that the cold logic of the situation calls for the more drastic readjustment to modern conditions.

- 9 -

In the earlier days of the Republic when State banks were empowered to issue currency, there was a reason for State chartering and supervision that ceased to exist when State bank notes were taxed out of existence. In the light of the clearly recognized sovereignty of the Federal Government over the issuance of currency, the logic of the case calls equally for ending State authority to charter banks which, in turn, while they no longer issue currency, can create bank credit that has so largely supplanted currency as the country's chief medium of exchange.

As Professor Westerfield of Yale has pointed out:

"It has been seriously argued that the Constitution not merely permits but requires that the power of the states to charter commercial banks be abolished and control of commercial banking be exercised by the federal government alone, because the Constitution expressly gives Congress control of the monetary system and forbids interference with it by the states, and commercial bank deposits are the principal element of the monetary system."

Having a regard for the antiquity of this issue of the dual system and the controversy which has raged about the subject for so many generations, I have perhaps been more prudent than logical in stopping short of advocating that you gentlemen be legislated out of your present occupations -- but a long line of eminent authorities, who could hardly be charged with indifference to State Rights, have not stopped short. Senator Sherman, of Ohio, that distinguished leader in establishment of the national banking system, concluded nearly eighty years ago that, and I quote, "The whole system of state banks, however carefully guarded, was both unconstitutional and inexpedient and ought to be overthrown".

Daniel Webster, speaking in the Senate on the subject of State bank circulation, said:

"I confess, Mr. President, that the more I reflect upon this subject, the more clearly does my mind approach the conclusion that the creation of state banks, for the purpose and with the power of circulating paper, is not consistent with the grants and prohibitions of the Constitution."

Even so ardent a champion of State Rights as Thomas Jefferson wrote in 1811 that, "The state legislatures should be immediately urged to relinquish the right of establishing banks of discount".

My own approach and viewpoint were well expressed by an editorial in the New York Times of July 23, 1936, emphasizing the fact that "an obvious and pressing need" for fundamental banking reform still existed.

- 10 -

"If the experience of the depression years showed anything," this editorial continued, "it showed the glaring weaknesses inherent in a banking system which is conducted under no less than fifty different sets of Federal and local regulations, with many communities denied by law the services of banking institutions equipped with adequate financial resources. The remedies for these weaknesses are unified regulation obtained through membership of all banks in the Federal Reserve System and an extension of the practice of sound branch banking."

You will not, I trust, accuse me of radicalism or of favoring bureaucracy because I find myself allied in my thinking with so many others who, down through the years, have shared my general viewpoint; some, like Jefferson, being much more drastic than I have been. And you will not, I trust, think that I have any less desire to work cooperatively, closely, and in harmony with you to make the best of our present situation just because I believe that time and economic progress will ultimately bring fundamental changes in the banking structure. I do not care what system, whether dual or unified, prevails, or how many banking authorities there are, if the system, whatever it may be, best serves the public interest and preserves private banking in this nation.



Ottawa, Sept. 17, 1943.

Dear Dr. White:-

As Mr. Plumptre is absent from Washington on holidays he has asked me to send you direct the attached quarterly statement and forecast of Canada's holdings of U.S. dollars.

This statement would normally have gone forward some time ago, but it has been delayed in order to include the latest information concerning the steps taken to bring our balances within the agreed limits.

Yours very truly,

Dr. Harry D. White,
Assistant to the Secretary,
Treasury Department,
WASHINGTON, D.C.
U.S.A.

CANADA'S RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943.

General Comments.

Table I. Summary Table.

Table II. Current Account.

Table III. Capital Account.

Table IV. Hyde Park Transactions.

Table V. U.S. Dollars Obtained Outside the
United States.

Table VI. Canada's Liquid Reserves.

Footnotes on the Tables.

CANADA'S RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943

Comments on the Report

1. The forecast places Canada's probable stock of gold and U.S. dollars at the end of 1943 at \$444 million, excluding the proceeds of the net capital inflow on security transactions (estimated at \$98 million for the calendar year 1943) and before taking account of the cancellations of War Supplies Ltd. orders now in process. Contracts aggregating \$100 to \$107 million during the remainder of their terms are being cancelled outright. The Department of Munitions and Supply estimates that deliveries through War Supplies Ltd. will be reduced by \$80 to \$86 million by December 31, 1943, as a result. It is difficult, however, to forecast the timing of the effect which these reductions in deliveries will have on net cash receipts from month to month because of the lag of payments behind deliveries and because payments will continue to be received on account of past deliveries. In addition to the effects of these cancellations, it is expected that further refunds will be made to the United States as a result of retroactive price adjustments on orders through War Supplies Ltd. similar to the refund of \$50 million last year. Nothing of this nature has been included in the forecast.
2. The high level at which Canada's stock of U.S. exchange has been maintained in recent months is due in part to the fact that some unusual receipts of U.S. dollars received in settlements from the United Kingdom - Table I, Item 6) fell in the early part of the year while certain heavy payments (e.g., payments for "Canpay" imports from U.S. - Table I, Item 7) will not occur until the latter part of the year. It is also due in part to the continued high rate of net capital inflow from security transactions, estimated at \$98 million for the calendar year 1943 (net, after the redemption on August 15th of Dominion of Canada bonds amounting to \$106 million).

changes made in methods of estimating used in this report.

Some slight changes have been made in the arrangement of the items in the summary table, Table I, particularly to give emphasis to the importance of payments on Canpay account and special adjustments to receipts through War Supplies Ltd. have now achieved. Payments on Canpay account now appear only in Table I, Item 7; they have been entirely eliminated from Table II where they were formerly included in the estimated payments for imports from the United States. Hyde Park receipts are stated in Table IV and in Table I, Item 9, before allowing for the effect of the cancellation of War Supplies Ltd. orders described above, for the reasons there given. For convenient reference items 15 to 18 have been added to Table I. These give the U.S. dollar position, actual and forecast, at the end of each quarter of 1943 both before and after the elimination of the net effect of security transactions on the position.

Since no further changes of importance are likely to be made in the estimates for 1942, the detailed estimates for each quarter of 1942 have been omitted; the total for the year will be found in each table for comparison with 1943. In some tables the forecasts have been carried through the first quarter of 1944. For the less predictable items, however, the forecast has only been carried to the end of 1943.

A considerable reduction in the estimated payments to the United States ordinary current account (Table I, Item 1) by contrast with the estimated payments for 1943 shown in the May report is to be accounted for almost entirely by the elimination of payments on Canpay account. These now appear in Item 7 of Table I. The forecasts of current receipts made in May were too low for the second quarter. The estimated total current account receipts for 1943 have been increased somewhat in this report (Table I, Item 2).

3.

These changes account for the reduction in the estimated excess current payments over receipts for 1943 from the \$544 million forecast in the May report to the \$280 million here forecast (Table I, Item 3).

CANADA'S RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943

Table I. Summary Table

(in millions of United States Dollars)

	Item No.	Calendar		Quarters of 1943			
		1942	1943	I	II	III	IV
<u>Ordinary Current Account Transactions, excluding</u>							
<u>Canpay and Hyde Park transactions (from Table II):</u>							
Payments.....	1.	1,466	1,546	340	397	396	413
Receipts.....	2.	1,027	1,266	256	346	342	322
Excess of payments (-) (1-2).....	3.	-439	-280	-84	-51	-54	-91
<u>Capital Transactions excluding Security Transac-</u>							
<u>tions (from Table III):</u>							
Net capital inflow (£).....	4.	£38	£27	£10	£5	£6	£6
<u>U.S.Dollars Obtained from Newfoundland and other</u>							
<u>Non-Sterling Area Countries Outside the United</u>							
<u>States (from Table V):</u>							
Net receipts (£).....	5.	£60	£58	£11	£23	£7	£17
<u>Special Receipts of U.S.Dollars from the United</u>							
<u>Kingdom (£).....</u>							
Payments for Canpay imports (-).....	7.	-1	-163	-	-50	-71	-42
<u>Surplus (£) or Deficits (-) on the above transac-</u>							
<u>tions (i.e., all except Hyde Park and security</u>							
<u>transactions) (3-4-5-6-7).....</u>							
	8.	-315	-193	£76	-65	-102	-102
<u>Net Receipts from Hyde Park Transactions (from</u>							
<u>Table IV):</u>							
Net Receipts (without taking account of any cancellation of War Supplies Ltd. orders.) (See Note below).....	9.	£310	£332	£77	£59	£92	£104
<u>Surplus (£) or Deficit (-) on all the above Transac-</u>							
<u>tions (i.e., all except security transactions)</u>							
<u>(8-9).....</u>							
	10.	-5	£139	£153	-6	-10	£2
<u>Security Transactions (from Table III):</u>							
Net capital import (£) or export (-).....	11.	£114	£98	£53	£63	-61	£43
<u>Surplus (£) or Deficit (-) on all the above Tran-</u>							
<u>sactions, (10-11).....</u>							
	12.	£109	£237	£206	£57	-71	£45
<u>Actual Increase (£) or Decrease (-) in Canada's</u>							
<u>U.S. Dollar Position.....</u>							
	13.	£131	-£218	£31			
Errors and Omissions (13-12).....	14.	£22	£12	-26			

	Item No.	Calendar		Quarters of 1943			
		1942	1943	I	II	III	IV
<u>Canada's U.S. Dollar Position at the End of</u>							
<u>Each Year or Quarter:</u>							
Actual (see Table VI).....	15.	319		537	568		
Forecast (without taking account of any cancellation of War Supplies Ltd. orders. See Note below.) (from Item 12).....	16.		542			497	542
<u>Canada's U.S. Dollar Position at the End of</u>							
<u>Each Year or Quarter (excluding the net</u>							
<u>inflow of capital from security transac-</u>							
<u>tions):</u>							
Actual (Item 15 less the cumulative capital inflow shown in Item 11).....	17.	205		484	452		
Forecast (without taking account of any cancellation of War Supplies Ltd. orders. See Note below.) (Item 16 less the cumulative capital inflow shown in Item 11).....	18.		444			442	444

Note: Items 9, 16 and 18 take no account of cancellations of War Supplies Ltd. orders resulting from implementation of maximum-minimum balances arrangement. Contracts for such orders aggregating 100 to 107 million dollars during the term of the contracts are now being cancelled outright. The Department of Munitions and Supply estimates that deliveries through War Supplies Ltd. will be reduced by 80 to 86 million dollars by December 31, 1943, as a result of these cancellations. It is difficult, however, to forecast the timing of the effect of these reductions in deliveries on net cash receipts month by month because of the lag of payments behind deliveries and because of payments on account of past deliveries.

In addition, it is expected that further refunds will be made to the United States as a result of retroactive price adjustments on sales through War Supplies Ltd., similar to the refund in June 1943. Nothing of this nature has been included in the forecast.

CANADA'S RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS
Report, September 1943.

Table II Current Account

(in millions of U.S. dollars)

Item No.	Calendar		Quarters of 1943				of 1944	Fiscal	
	1942	1943	I	II	III	IV	I	1944	
<u>Payments by Canada to the U.S.</u>									
Payments indicated by the adjusted value of total merchandise imported, excluding Lend-Lease and Canpay imports...	1.	1014	1068	234	274	280	280	265	1099
of which imports for the production of military equipment...	2.	436	517	124	128	132	133	133	526
of which imports for other (mainly non-war) purposes....	3.	578	551	110	146	148	147	132	573
Freight payable in U.S. dollars.	4.	145	160	31	40	46	43	30	159
Tourist and other travel in the U.S.....	5.	14	19	4	5	5	5	5	20
Interest payments.....	6.	88	92	20	25	21	26	21	93
Dividends and profits payments..	7.	114	110	25	30	20	35	18	103
Miscellaneous.....	8.	91	97	26	23	24	24	24	95
Total Payments (1+2+3+4+5+6+7+8)....	9.	1466	1546	340	397	396	413	363	1569
<u>Receipts by Canada from the U.S.</u>									
Exports of merchandise by Canada, (excluding all Hyde Park exports, see Table IV).....	10.	567	529	125	168	171	165	135	639
Exports of Metals to Metals									
Reserve Corporation.....	11.	33	86	14	24	24	24	24	96
Export of newly-mined gold.....	12.	167	134	36	35	33	30	25	123
Freight receipts in U.S.dollars.	13.	74	101	19	34	26	22	18	100
Tourist and other travel by the U.S. to Canada.....	14.	56	59	9	15	22	13	9	59
Interest on dividends and profits from U.S. investments.....	15.	51	55	13	16	12	14	11	53
Alaska and other U.S. Government projects.....	16.	26	130	22	36	36	36	30	138
Miscellaneous.....	17.	53	72	18	18	18	19	18	72
Total Receipts (10+11+12+13+14+15+16+17).....	18.	1027	1266	256	346	342	322	270	1280
Excess of Receipts over Payments (18-9).....	19.	439	280	84	51	54	91	93	289

RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943.

Table III. Capital Account

(in millions of U.S. dollars)

	Item No.	Calendar		Quarters of 1943			
		1942	1943	I	II	III	IV
<u>Section I. Non-Security Transactions</u>							
Sales by Canadians of U.S. and other assets:							
U.S. assets.....	1.	23	15	4	3	4	4
Canadian assets.....	2.	19	11	2	3	3	3
Other new borrowing.....	3.	-	5	5	-	-	-
Total Receipts on these items (1/2/3).....	4.	42	31	11	6	7	7
Less debt payments.....	5.	4	4	1	1	1	1
Net capital inflow on these items.....	6.	\$38	\$27	\$10	\$5	\$6	\$6
<u>Section II. Security Transactions</u>							
Sales of securities by Canadians: U.S. and other foreign securities.....							
Canadian outstanding issues.....	7.	22	41	6	14	11	10
New Canadian issues.....	8.	112	205	67	48	50	40
	9.	-	124	97	27	-	-
Total (7/8/9).....	10.	134	370	170	89	61	50
Less maturities of Canadian securities in the U.S.....	11.	20	56	7	26	16	7
Less Canadian securities called for redemption payable in U.S. dollars.....	12.	-	216	110	-	106	-
Net capital inflow (\$) or outflow on security transactions (10-11-12).....	13.	\$114	\$98	\$53	\$63	-\$61	\$43
<u>Recapitulation</u>							
Total capital receipts (4/10).....	14.	176	401	161	95	68	57
Total capital payments (6/11-12).....	15.	24	276	118	27	123	8
Net capital inflow (14-15 or 6/13).....	16.	\$152	\$125	\$63	\$68	-\$55	\$49

CANADA'S RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943.

Table IV. Hyde Park Transactions

(in millions of U.S. dollars)

	Item No.	Calendar		Quarters of 1943			
		1942	1943	I	II	III	IV
Prepayments and capital advances...	1.	79	7	-	2	5	-
Current receipts on orders placed through War Supplies Ltd.....	2.	231	377	77	100	100	100
Refund by Canada of prepayments by the U.S. included in Item 1...	3.	-	21	-	1	20	-
Payments by Canada on account of "retroactive price adjustments" on W.S.L. contracts.....	4.	-	50	-	50	-	-
Net receipts through War Supplies Ltd. (1/2-3-4).....	5.	310	313	77	51	95	100
Petroleum Products Lend-Leased by the U.S. to the U.K. for the Combined Air Training Plan.....	6.	-	19	-	8	7	4
Net receipts of U.S. dollars by Canada under Hyde Park trans- actions (5-6).....	7.	310	332	77	59	92	104
<u>Additional Information</u>							
<u>Canada's Hyde Park Exports:</u>							
Exports against prepayments and capital advances.....	8.	17	39	13	12	8	6
Total exports (2/8).....	9.	248	416	90	112	108	106
Loss of price adjustments, Item 4...	10.	-	50	-	50	-	-
Receipts from Canada's Hyde Park exports (9-10).....	11.	248	366	90	62	108	106
U.S. dollar content of Canada's Hyde Park exports estimated at Item 11.....	12.	30	44	11	7	13	13
Net receipts of U.S. dollars from Hyde Park exports (11-12).....	13.	218	322	79	55	95	93
Imports of components and materials obtained by the U.K. under Lend-Lease for the ex- ecution of British orders in Canada.....	14.	50	19	7	8	2	2

CANADA RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943.

Table V. U.S. Dollars Obtained Outside the United States.

(in millions of U.S. Dollars)

Item No.	Calendar		Quarters of 1943 of 1944				Fiscal 1944		
	1942	1943	I	II	III	IV	I	1944	
<u>Receipts by Canada</u>									
From non-sterling area countries other than Newfoundland and the United States.....	1.	82	99	20	32	18	29	20	99
<u>Payments by Canada</u>									
To non-sterling area countries other than Newfoundland and the United States.....	2.	55	64	18	14	15	16	16	62
<u>Net Receipts (1-2).....</u>	3.	27	35	2	18	2	13	4	37
<u>Net Receipts of U.S. Dollars from Newfoundland.</u>	4.	33	23	9	5	5	4	3	17
<u>Total Net Receipts (3+4).....</u>	5.	60	58	11	23	7	17	7	54

RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943.

Table VI. Canada's Liquid Reserves

(in millions of U.S. dollar's)

Amounts	Gold	U.S. \$ Balances	Total Official [#]	Private Balances ^{##}	Total	Of which held to offset net security movements in 1943
Sept. 15, 1939	205	56	261	133	394	
Dec. 30, 1939	218	88	306	99	405	
Dec. 31, 1940	136	194	330	3	333	
Dec. 31, 1941	136	52	188	-	188	
Dec. 31, 1942	155	164	319	-	319	
Mar. 31, 1943	124	413	537	-	537	53
June 30, 1943	162	406	568	-	568	116
Aug. 31, 1943	181	364	545	-	545	

Memo: Net Capital
Import

I. Change in Amounts from Previous Period

Sept. 15, 1939	-	-	-	-	-	
Dec. 30, 1939	+13	+32	+45	-34	+11	
Dec. 31, 1940	-82	+106	+24	-96	-72	
Dec. 31, 1941	-	-142	-142	-3	-145	61
Dec. 31, 1942	+19	+112	+131	-	+131	152
Mar. 31, 1943	-31	+249	+218	-	+218	63
June 30, 1943	+38	-7	+31	-	+31	68
Aug. 31, 1943	+19	-42	-23	-	-23	

[#] Total "Official" holdings - Foreign Exchange Control Board, Minister of Finance and Bank of Canada.

^{##} Total holdings of U.S. dollars by all other residents of Canada, excluding Canadian banks and insurance companies whose holdings of U.S. dollars are required for the purpose of their U.S. business. The totals shown are exclusive of \$20 million in minimum working balances.

Due to the war, a very large proportion of Canada's exchange reserves were held by private rather than official agencies. In the spring of 1940, the Foreign Exchange Control Board, which had been charged with responsibility for managing the country's exchange reserves, took over all such balances in its hands other than the minimum amount considered essential for day-to-day working balances.

CANADA'S RECEIPTS AND DISBURSEMENTS OF UNITED STATES DOLLARS

Report, September 1943.

Footnotes to the Tables.

Footnotes to Table II.

Item 1.

For the past total imports are arrived at by adjusting Customs import statistics to eliminate imports for which no payment has been made. Canpay imports and Lend-Lease imports were also eliminated. The forecast was made after examination of the past trend of imports in each of the groups into which the Dominion Bureau of Statistics divided merchandise imports. It is estimated that total imports will be slightly above the level of the second quarter for the third and the fourth quarter of this year. It is also estimated that the first quarter of 1944 will be above the same quarter of 1943 because total imports in that quarter were unduly reduced by a severe winter's effects upon transportation facilities. Prices will probably be somewhat higher also.

The reduction in the total imports forecast for 1943 from the \$1,215 million of the May report to \$1,068 million in the present report is almost entirely due to the elimination of Canpay imports for treatment elsewhere in the balance of payments.

Items 2 and 3.

These items are added for information only; they are not included anywhere in the balance of payments. Item 2 is the U.S. content of military equipment purchased by the Department of Ordnance and Supply. It is not inclusive enough to be classified as imports for "War" production which was the title formerly used. No attempt is made here to separate imports on

...ent from what might be called "civilian" imports. Item 1
 ...merely the difference between Items I and 2 must there-
 ...many items which might properly be called imports for
 ...duction.

The following table shows how the estimates of Item 2
 were compiled:

Table II. Current Account.

Item No.	Quarters of 1945				of 1944	
	I	II	III	IV	I	II
Payments for U.S. purchases by contractors and suppliers	1	103	115	124	130	130
Expenditures in the U.S. for capital equipment	2	20	15	10	5	5
Direct purchases by the Dept. of Munitions and Supply on other than Canpay account	3	80	6	6	6	6
Total of the above items	4	131	136	140	141	141
Deduct estimated freight payments included in the above items but included here in the freight payments item of Table II, (i.e. 2% of item 4.)	5	7	8	8	8	8
Estimated imports for the production of military equipment (4-5)	6	124	128	132	133	133

A comparison of this table with the similar table included in the May Report, shows a reduction which is due to the elimination of the payments on Canpay account. Excluding these the figures given in the table above are somewhat higher than those of the May estimate. This increase is due mainly to adjustments effected in the methods of estimating which seem to justify a somewhat higher estimate for some production processes than had been made previously.

Statement of Canpay imports in the present Report.

The only payments made by Canada for imports from the

Payments arranged through the Canpay procedure to date are \$1.5 million in 1942 and \$50 million in the second quarter of 1943. In all previous reports, payments for imports have been based on the basis of Customs statistics which included Canpay amounts received in Canada but not yet paid for. To that extent the stated payments for imports has been too high. Part of the Errors and Omissions item in Table I of the previous reports is thus explained. So far as possible Canpay imports have now been eliminated from the record of payments for imports for the first two quarters of 1943 and from the payments forecast for the rest of the year as shown in Table II, item 1, though it has not been possible to eliminate them from the record for 1942. This revision has been the major factor in reducing the Errors and Omissions item of \$30 million shown for the first quarter of 1943 in the May report to the \$18 million shown for the first quarter of 1943 in Table I, item 12. In the present report payments for Canpay imports are entered only in Table I, item 2.

The forecast of Canpay payments made there is based on estimated deliveries on Canpay account. The total deliveries on Canpay account to the end of the present quarter are estimated to amount to \$122 million. As \$51 million has been paid on this account already the payment of the remainder of Canada's liability, \$71 million, is therefore forecast. In the last quarter the deliveries of imports are estimated at \$42 million; this amount of payments is therefore forecast.

Freight Payable in U.S. Dollars.

This item includes inland freight on coal and other commodities imported from or through the U.S., ocean freight on imports which is payable in U.S. dollars to U.S. or other foreign carriers, and such part of the freight on Canadian exports to

statements of these countries as is payable by Canada in U.S. dollars, known as some of these payments, e.g., freight on coal imports, are based on up-to-date information; for other parts of the estimate the basic data is usually one quarter behind. As a record, the estimates of the larger part of the freight payments are probably quite accurate.

Item 5. Tourist Payments.

These are based upon Foreign Exchange Control Board data as to funds sold to tourists for travel in the United States.

Item 6. Interest Payments.

Based upon Dominion Bureau of Statistics estimates of the holdings of Canadian bonds in the United States. The quarterly distribution was made after studying the seasonal tendency in the sales by the Foreign Exchange Control Board of U.S. dollars for the servicing of Canadian bonds.

Item 7. Dividends and Profits Payments.

Based on F.E.C.B. records of approvals for the remittance of dividends and profits to residents of the U.S. dollar area. The forecast has been made on the assumption that remittances will continue to be below earnings as they have been in the recent past and that there will be no tendency to remit to the U.S. the considerable amount of profits eligible for remittance under the regulations of the F.E.C.B. which have thus been built up.

Item 8. Miscellaneous.

This item includes mainly payments for commercial and financial services and payments to companies in the U.S. for management, engineering, and similar professional services.

Item 9. Exports (excluding Hyde Park exports).

The value of exports in the past is arrived at by deducting from Customs statistics of exports those items for which

no receipts was received, as well as exports included in Table IV, Exports of Transactions.

Exports for the second quarter of this year were higher than the level forecast in May. The forecast is therefore at a slightly higher level also. This change seems justified by an analysis of the probable trend in each of Canada's main export commodities.

Item 11. Exports of metals to Metals Reserve Corporation.

The increase in this item over the May forecast is due to an adjustment in the valuation of aluminum exports under the provisions of an escalator clause in the contracts.

Item 12. Gold exports.

Our estimate of receipts from gold exports was again somewhat below the actual figure for the second quarter of 1945. The forecast has therefore been raised somewhat. The decline forecast for the future is based on a projection of current production trends which man-power shortage may alter.

Item 13. Alaska Highway and other United States Government Projects.

The amounts shown include only those receipts that can be identified with certainty as arising from this source. They were formerly included in miscellaneous receipts, but have now become so considerable as to justify placing them in a separate item. This explains the reduction in the size of item 17, miscellaneous receipts, by comparison with the May report.

Excess of Payments over Receipts.

The excess of payments forecast for 1943 in the May report was \$544 million. In the present report the excess is now \$280 million. This is explained by a reduction of \$132 million in payments (largely because of the elimination of payments for Canpay imports) and an increase in estimated receipts of \$132 million which current trends seem to warrant.

Table III. Capital Account

This table does not include the capital imports in the form of repayments, advances and other loans by United States governmental agencies and some banks which have resulted from the War Relocation Authority arrangements. These are given in Table IV, item 1, and are included in the balance of payments in Table I, item 9.

For items 1,2,3,5,7,8 and 9 of Table III the record is provided by the Foreign Exchange Control Board; the forecasts are rough estimates only.

Items 11 and 12 are a breakdown of former item 11. In view of the magnitude of recent calls of securities for payment before maturity, it seems advisable to state their amount separately. The forecast given for item 11 is based on the estimated foreign holdings of Canadian bonds maturing in the United States.

Because of the proven difficulty of forecasting security movements, this estimate has not been carried beyond 1943.

... to Table IV. Hyde Park Transactions.

All the estimates included in this table come from the Dept. of Munitions and Supply, with the exception of Item 4 which comes from the Department of National Defence (DND).

Item 4 shows the retroactive price adjustment on the sales through War Supplies Ltd., made in June 1943. Further adjustments will be required in the future, but their amount and timing is uncertain, so nothing of this nature has been forecast before the end of the year.

Item 7 shows the net receipts of U.S. dollars by Canada through Hyde Park Transactions before taking account of the cancellation of War Supplies Ltd. orders now in process. See the note at the foot of Table I.

Items 8 to 14 of the table provide additional information and calculations of interest. None of these items appear in the balance of payments in the form here given. Part of the exports included in Item 8, together with the cash refund of Item 3, refund prepayments of War Supplies Orders included in Item 1. The remainder of the prepayments of Item 1 and the exports against them which are shown for the future in Item 8 have to do with aluminum contracts.

as to Table V. United States Dollars Obtained Outside
The United States.

Receipts by Canada.

Customs figures for exports (adjusted to eliminate items producing no U.S. dollars), including wheat exports to neutral countries in Europe from U.S. ports, and F.E.C.B. data on dividends transferred to Canada by Canadian companies operating abroad. The irregularities in the second and fourth quarters are mainly the effect of dividend receipts. The May forecast of this item proved an under-estimate; the present forecast is somewhat higher.

Item 2. Payments by Canada.

Customs figures adjusted to eliminate items for which no payment in U.S. dollars is required.

Item 4. Net Receipts of U.S. Dollars from Newfoundland.

Net amount of exchange sold to the Foreign Exchange Control Board.

PARAPHRASE OF TELEGRAM SENT

TO: AMERICAN EMBASSY, CHUNGKING, CHINA
DATE: September 17, 1943, 4 p.m.
NO.: 1298

FOR ADLER FROM THE SECRETARY OF THE TREASURY.

Please discreetly consult the proper authorities of the Chinese Government and -- unless there is objection by the Chinese authorities -- arrange through reliable and confidential channels for the delivery of the following message which the American Jewish Joint Distribution Committee is very anxious to have reach its representatives (either Laura Margolis or Manuel Siegel) in Shanghai:

Could you, under existing conditions, utilize authorization to borrow locally up to \$40,000 monthly for a period of the next six months in order to carry on relief activities among refugees? Should such an authorization be desired, prompt favorable response may be expected.

Any reply which may be received should be given the same facilities for transmission.

The Embassy is requested, in the absence of Adler, to carry out the above request. Should the Embassy not be in a position to carry out this request, the message should be held until the return of Mr. Adler.

HULL

PLAIN

MC

Chungking via N.R.

Dated September 17, 1943

Rec'd 1:27 p.m.

Secretary of State

Washington

1743, seventeenth

Central News Agency in referring to resolution adopted by CEC session September 11 on program for intensification of price control states that "arrangements have been made with the United States for the purchase of United States \$200,000 worth of gold." In the resolution appears a statement that "the United States has promised to lend to China a large quantity of gold."

Government spokesman at press conference September 15 as reported by Central News Agency stated that Chinese Government has proposed to use US \$200,000 from balance of US \$500,000 credit extended by American Government to buy gold bullion to combat inflation in China. Spokesman also said that Chinese Government has decided to revise stabilization agreement and is negotiating with US Government at Washington.

ATCHESON

DD

eh:copy
9-20-43

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 307

Information received up to 10 A.M., 17th September, 1943.

1. NAVAL

16th. H.M. ships continued their bombardment of the SALERNO bridgehead which together with air bombing was an important factor in the improvement of the military situation. In the AEGEAN one of H.M. Submarines sank a schooner and a tug on the 5th. Another of H.M. Submarines sank a caique on 31st of August and a 1,000 ton ship on 2nd September.

2. MILITARY

ITALY. 5th Army. By last light 15th there had been no major enemy attack for 48 hours and the situation in the bridgehead had temporarily been stabilised. On the 16th a limited Allied counter attack was made from the area south of the SELE. Reinforcements are arriving steadily.

8th Army. On 15th units of 5th Division were concentrating in SCALEA and by first light on 16th reconnaissance units were in SAPRI with patrols beyond. There was no repetition no contact with enemy.

3. AIR OPERATIONS

WESTERN FRONT. MONTLUCON. 15th/16th. 1,017 tons including 35 4,000 pound and 527 tons of incendiaries dropped at Dunlop factory. Marker bombs seem to have been accurately placed but bombing from above clouds was somewhat scattered at first. Later arrivals at lower altitude identified factory buildings and thereafter better concentration resulted. The pilot of a Spitfire yesterday saw that the factory was extensively damaged and was burning fiercely.

GREVEN. 16th. Thick ground haze hampered successful attack. A total of 220 Fortresses bombed the docks and an airfield at NANTES, U-bout pens and docks at LA PALLICE and 2 airfields in Western France dropping 588 tons in all. 99 medium bombers dropped 130 tons on BEAUMONT LE ROSE and TRICQUEVILLE airfields, Serqueux Railway centre and a power station near ROUEN. 43 squadrons of fighters provided support. Enemy casualties 35, 10, 6. 12 Fortresses and 3 fighters missing. Hampdens torpedoed a 3,000 ton ship off NORWAY and fighter bombers damaged 3 1,000 ton ships and several smaller vessels off FRANCE and HOLLAND. 5 fighter bombers missing.

16th/17th. Aircraft despatched - MODANE Railway Centre 345 (4 missing); another railway viaduct near ST. RAPHAEL 12 (one missing); BERLIN 5; Leaflets 3; Intruders 44 (1 missing). Weather over MODANE good and bombing well concentrated.

ITALY. 14th/15th. 186 medium and light bombers attacked enemy communications in the SALERNO area dropping 315 tons.

15th. 357 heavy, medium and light bombers dropped about 420 tons on roads and enemy troop concentrations in the NAPLES, EBOLI and POTENZA areas. Beaufighters torpedoed a 2,000 ton ship off LEGHORN.

U. S. COAST GUARD

150

HEADING **RV94/544Y P T A 544Y 181805 QUAT W QUAH GR19**

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TRLP 12453..

SECTREAS OFFICE..

COMDT CG..

TEXT

CHARLES BELL MAIN TREASURY BLDG X CHARLIE COULD YOU
ARRANGE BERTH NEWYORK TO WASHINGTON MIDNIGHT MONDAY
X GEORGE ALBEE BT 181805

3

TOD 1809 18 SEPT 43 JG

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

TH

FORM 8819
TREASURY DEPT.

U. S. COAST GUARD

151

HEADING RW62/544Y P T A Q2U 181508 QUAT W QUAN GR23

FROM SECRETARY OF THE TREASURY

ACTION OFFICE OF SECTREAS

FOR COMMANDANT CG

TEXT

CHARLES BELL SECTREAS OFFICE X ARRIVING PITTSBURG 1240Q CAN YOU
GET ME OUT OF THERE FOR WASHINGTON ON PLANE PLEASE
X FRED SMITH BT 181508

TOD: 1516 SEPT 18 1943/SX

MO 3

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

S D

152 ✓
9/18/43 -

Copy

U. S. Coast Guard

From: Sec. Treas. Office
To: Fred Smith

For Fred Smith X Check with reservations at
airport Pittsburgh X Your reservation priority three
Pennsylvania Central Airlines departing Pittsburgh
1355Q arriving Washington 1516Q X Signed Charles Bell.

18 September, 1943. 1641.

FORM 1819
TREASURY DEPT.

U. S. COAST GUARD

153

HEADING

RW60/NOI 544Y P T A Q2U 181504 QUAT W OUAH GR28

SECRETARY OF THE TREASURY
OFFICE OF SECRETREAS
COMMANDANT CG

SECRETARY OF THE TREASURY

OFFICE OF SECRETREAS

COMMANDANT CG

TEXT

THEODORE GAMBLE MAIN TREASURY BLDG WASHN DC X KINDLY ASK
MARK ODEA SUGGEST BEST SHIPYARD I CAN DELIVER SPEECH ON
MARITIME DAY ANSWER WITHIN HOUR IF POSSIBLE BT 181504

3

(C - GR27) TOD: 1510 SEPT 18 1943/SX

OPERATOR'S RECORD AND DATE

MO

OFFICIAL INITIALS

s

U. S. COAST GUARD

FORM 419
TREASURY DEPT.

HEADING RW68/58AY

P T A Q2U 181514 QUAT W QUAH GR28

SECRETARY OF THE TREASURY

OFFICE OF SECTREAS

COMMANDANT CG

TEXT

P R I O R I T Y

BELL AND GAMBLE SECTREAS OFFICE X PLEASE CHECK ON NUMBER
 OF BOND OUTLETS OPERATING AT NIGHT X HAVE WE ENOUGH
 BT 181514

3

TOD: 1520 SEPT 18 1943/SX
 OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

S

MO

U. S. COAST GUARD

155

FORM 8814
TREASURY DEPT.

HEADING

RW46/544Y P T A 02U 181400 QUAT W QUAN GR34

SECTREAS

SECTREAS OFFICE

COMDT CC

TEXT

FOR BELL AND GAMBLE OFFICE OF SEC OF TREAS X PLANTS HERE
HAVE NO BOND QUOTAS X ~~EE~~ EVIDENTLY THIS IS TRUE IN ILLINOIS
ALSO X QUESTION HOW MANY STATES HAVE GIVEN QUOTAS TO PLANTS
BT 181400

3

TOP SECRET 18 SEPT 1943 JO

OFFICIAL INITIALS

s D

FORM 1019
TREASURY DEPT.

U. S. COAST GUARD

156

HEADING

RW53/544Y P T A 544Y 181428 QUAT W QUAH GR36

TRLP 12453

SECTREAS OFFICE

COMDT CG

TEXT

THEODORE ROOSEVELT GAMBLE MAIN TREASURY BLDG X WOULD YOU PHONE
WV SATEVEPOST ASK IF INTERESTED IN BUYING STORY TITLED QUOTE
WORLDS MOST FANTASTIC SALES ORGANIZATION UNQUOTE THE INSIDE STORY
OF SELLING WAR BONDS BY ME X ALBEE BT ZNR 181428

3

TOD 1435 18 SEPT 1943 JO

OPERATOR'S RECORD AND DATE

MO

OFFICIAL INITIALS

S

FORM 1517
TREASURY DEPT.

U. S. COAST GUARD

157

HEADING

RW47/544Y P T A 5447 181403 QUAT W QUAK GR30

FROM
ACTION
IN
ADDRESS

TRLP 12453

SECTREAS OFFICE

COMDT CG

TEXT

GAMBLE SECS OFFICE X SECRETARY WANTS TO KEEP REPORTS COMING
FROM OWI ON AXIS REACTION TO THIRD WAR LOAN FOR DURATION OF
DRIVE X CAN YOU FIX IT X FRED BT 181403

3

TOD 1407 18 SEPT 1943 JO
OPERATOR'S RECORD AND DATE

MO

OFFICIAL INITIALS

5

COPY

158

U. S. Coast Guard

From: Office Sec. Treas.

To: Sec. Treas.

Mark Odea recommends Southeastern Shipyard Savannah Georgia X They have big day planned X Grace Tully is christening ship X Plant to receive special M award that day X Maritime and state officials to make big day of it and believe ideal spot for you to broadcast from X Your participation would be separately handled and be one of several important events during day X Suggested hour 1100Q X Reference bond outlets at night we have six thousand theaters two thousand drug stores and yesterday asked fifteen hundred Chambers of Commerce to sponsor a merchants night like that being staged in Chicago tonight X Every State Street store from Marshall Fields down remaining open tonight for the sale of bonds only preceded by big promotion campaign X Feel we have night outlets sufficiently taken care of X Have report for you on plant quotas from cross section of country that I think looks pretty good X If Albee is not ribbing I can sell story X OWI continuing monitor reports X This cleans the desk so give us some more X Love and kisses X Gamble.

18 September, 1943. 1630.

U. S. COAST GUARD

FORM 1017
TREASURY DEPT

HEADING RW49/544Y P T A I Q2U 181407 QUAT W QUAN GR49

RECEIVED INFORMATION
SECTREAS TREAS

SECTREAS OFFICE

COMDT CG

TEXT

DAN BELL AND TED GAMBLE OFFICE OF SEC OF TREAS X FEDERAL RESERVE
BANK OF STLOUIS HAS SET UP QUOTA BY STATES FOR EIGHTH DISTRICT
AND HAS RESULTS OF BOND B SALES EVERY NIGHT X QUESTION WHY CAN
NOT EVERY FEDERAL RESERVE BANK DO LIKewise AND WIRE IN RESULTS
NIGHTLY BT 181407

3

OPERATOR'S RECORD AND DATE
TOD 1414 18 SEPT 1943 JO

OFFICIAL INITIALS
S D

DWB:ew

September 18, 1943

Memorandum to be radioed to Secretary Morgenthau

Re: Quota and bond sales by States in
Eighth District

System for reporting sales which St. Louis has
is result of our instructions. All Federal Reserves
have it. We get these reports each day from Federal
Reserve banks and such reports form the basis of
daily State figures given to the Press.

(Initialed) D.W.B.

DWB:ew

COPY

U. S. Coast Guard

From: Office Sec. Treas.
To: Sec. Treas.

Re Quota and bond sales by states in Eighth District X
System for reporting sales which St. Louis has is result
of our instructions X All Federal Reserves have it X
We get these reports each day from Federal Reserve Banks
and such reports form the basis of daily state figures
given to the press X D W Bell.

18 September, 1943. 1633 NM

U. S. COAST GUARD

162

NAV 1019
TREASURY DEPT

HEADING RW55/544W P T A 02U 181441 QUAT W OUAH GR33

SECRETARY OF THE TREASURY

OFFICE OF SECTREAS

COMMANDANT CG

TEXT

P R I O R I T Y

HARRY WHITE OFFICE OF SEC OF TREAS X WILLING TO GO BEFORE
CONGRESSIONAL COMMITTEES NEXT WEDNESDAY TO EXPLAIN WORLD
STABILIZATION OF CURRENCY PROGRAM X HAVE TO BE IN NEWYORK CITY
ALL DAY THURSDAY BT 181441

(SEC SEZ RUSH THIS ONE PLEASE)

3

TOD: 1442 SEPT 18 1943/SX

OPERATOR'S RECORD AND DATE

MO

OFFICIAL INITIALS

S

FORM 1617
TREASURY DEPT

U. S. COAST GUARD

163

HEADING RW 108/566Y

P T A NB566Y 181913 QUAT W QUAH GR24

TRLP 12453..

SECTREAS OFFICE..

COMDT CG..

TEXT

ISABEL DIAMOND MAIN TREASURY BLDG X KINDLY GET SEVERAL 1917
SPEECHES WILSON AND MCADOO ETC ESPECIALLY THOSE RELATING TO WAR
BONDS X GEORGE ALBEE BT 181913

2

3

TOD 1916 18 SEPT 43 JG

OPERATOR'S RECORD AND DATE

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OFFICIAL INITIALS

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HEADING

RW67/5AAY P T A 02U 181533 QUAT W QUAH GR63

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SECTREAS

SECTREAS OFFICE

COMDT

TEXT

GAMBLE SECTREAS OFFICE X STAND BY FOR CALL FROM ME
FROM PITTSBURG 12200 TO CLEAR ANY STATEMENT FOR TONIGHT X
SMITH WILL BE IN OFFICE THIS AFTERNOON TO CLEAR ANY
LATER STATEMENT THIS WEEK END X WHERE WE ARE LOTS
OF SUNSHINE AND PLENTY OF OXYGEN AND IN CASE YOU
DONT KNOW IT WE ARE OVERFLOWING WITH GOOD CHEER AND PLENTY
OF IDEAS BT 181533

3

TOD 1443 18 SEPT 43 JG

OPERATOR'S RECORD AND DATE

MO

OFFICIAL INITIALS

s

U. S. COAST GUARD

165

FORM 1619
TREASURY DEPT.

HEADING

RW45/544Y P T A Q2U 181357 QUAT W QUAK GR13

SECTREAS

SECTREAS OFFICE

COMDT CC

TEXT

FITZGERALD OFFICE OF SEC OF TREAS X ARRANGE TO HAVE JOE MEET ME
BT 181358

3

FORWARDED BY 18 SEPT 1943 JO

NI

OFFICIAL INITIALS

s

FORM 2014
TREASURY DEPT.

U. S. COAST GUARD

166

HEADING

RW65/5AAY P T A 02U 181520 QUAT W QUAH GR13

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SECTREAS

SECTREAS OFFICE

COMDT CG

TEXT

PLEASE FURNISH MRS KLOTZ WITH COPY OF ALL MESSAGES WE HAVE
SENT TODAY BT 181520

3

TOP 1524 18 SEPT 1943 JO

OFFICIAL INITIALS

s b

MO

September 18, 1943

Dear Mr. Craw:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Nicholas Craw
1345 Hilltop Road
Charlottesville, Virginia

FB:gr



September 15, 1943

Dear Lieutenant Davis:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Morgenthau, Jr

Lieutenant Landon Davis, Jr.
Oxford Road
Charlottesville, Virginia

FS:gr

September 18, 1943

Dear Mrs. Harlow:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Merpenthau, Jr.

Mrs. Henry Harlow,
Route 2,
Charlottesville, Virginia.

FS:gr *FS*
9-17-43

September 18, 1943

Dear Mr. Henderson:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Mergenthau, Jr.

Mr. Willis Henderson
Monticello, Virginia

FS:gr

[Handwritten signature]

September 18, 1943

Dear Mr. Hope:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Morganthau, Jr.

FS
Mr. Bob Hope
Del Monte Lodge
Pebble Beach, California

FS:gr

September 18, 1943

Dear Mrs. King:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Mergenthau, Jr.

Mrs. Betty King
c/o IX Silk Mills
Charlottesville, Virginia

FS:gr
9-16-43

September 18, 1943

Dear Sergeant Kozak:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Macintosh, Jr.

Sergeant Frank Kozak
Archbald Street
Carbondale, Pennsylvania

FS:gr
9-17-43

FR

September 15, 1943

Dear Ernie Pyle:

I want you to know how much I appreciated your coming on the "We the People" program last Sunday. From all reports, our program was very successful and effective, and in a large measure this was due to the contribution you were able to make.

I also appreciate the time you gave me for our private discussions. I am sure the information which you have will prove very helpful to the war effort when it is passed along to the right places.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Ernie Pyle
c/o Lee Miller
Scripps-Howard Newspaper Alliance
1013 Thirteenth Street, Northwest
Washington, D. C.

FS:gr
9-16-43 *B*

September 18, 1943

Dear Mrs. Truscott:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mrs. Lucian King Truscott, Jr.
Jefferson Park
Charlottesville, Virginia

FS:gt 

September 18, 1943

Dear General Wickersham:

I want you to know that I appreciate your coming on the radio program with me last Sunday in connection with our Bond drive.

I have received a number of letters and calls that would indicate that the program was very effective and successful, and you can be proud of the part you played to make it so.

Sincerely,

(Signed) H. Morgenthau, Jr.

Brigadier General Cornelius W. Wickersham
Commandant of the School of Military Government
University of Virginia
Charlottesville, Virginia

FS:gr

FS

September 18, 1943

My dear Mr. Celler:

In the absence of the Secretary, I am acknowledging your letter of September 16, together with the enclosed statement released on August 12.

Just as soon as Mr. Morgenthau is back in his office I shall be glad to bring both your letter and the enclosure to his attention.

Very truly yours,

(Signed) H. S. Klotz ^{ms}

H. S. Klotz,
Private Secretary.

Honorable Emanuel Celler
House of Representatives
Washington, D. C.

GEF:fv

9/18/43

EMANUEL CELLER
10TH DISTRICT NEW YORK

MEMBER OF
COMMITTEE ON THE JUDICIARY

WASHINGTON SECRETARIES:
EMILE EFFRAY MARGARET BROOKS

Celler Has been acknowledged 178

NEW YORK OFFICE
1450 BROADWAY
NEW YORK CITY

Congress of the United States
House of Representatives
Washington, D. C.

1824 NEW HOUSE OFFICE BUILDING
WASHINGTON

NEW YORK SECRETARIES:
JACOB GRALLA MARY DOUGHERTY

September 16, 1943

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

My dear Mr. Secretary:

I was keenly disappointed that my ^{news} ~~statement~~ did not find a responsive chord within you this morning.

I am sending you herewith a statement which I prepared, entitled the "Betrayal of Palestine." You may not have time to read it now. Lay it aside for a more leisurely moment.

Yours truly,

Emanuel Celler
EMANUEL CELLER

ENC:

179

For Immediate Release
August 12th, 1943

THE BETRAYAL OF PALESTINE

STATEMENT BY CONGRESSMAN EMANUEL CELLER, REPRESENTATIVE
TENTH CONGRESSIONAL DISTRICT, NEW YORK

From thoroughly reliable sources, information of a bitterly dismaying nature has come forth that a joint statement will be issued shortly by the British Foreign Office and the State Department, silencing all discussion on the Arabian-Jewish question in Palestine, and which will with one devastating stroke smother the hopes of those who dared look towards Palestine as the one realistic approach to the solution of the homelessness of a driven people. It will, in effect, be an implied, but nonetheless conclusive, acceptance of the MacDonald White Paper of 1939 which decreed that no more than 75,000 Jews will be admitted to Palestine for a five year period. The joint statement will with its "Silence, please", drown the clamour of the tortured Nazi victims pleading for a haven of refuge. Of the allotted 75,000 certificates of entrance, less than 29,000 now remain unused. These, more or less, will be confined to children. Adherence to the MacDonald White Paper means that in 1944 Jewish immigration into Palestine must cease altogether if so voted by a majority of Arabs.

Even more alarming is the accompanying information that the joint statement will be issued with the knowledge and consent of the President. Although he was importuned to stay the hand of the State Department, the reactionary forces were stronger, and, while it may be somewhat softened as a result of the intercession of the President, it spells the doom of the Zionist cause and the beginning of the end of the long trek home. In the name of expediency and appeasement, under the shallow pretense of military and political necessity, Palestine as a homeland for the Jews becomes the "lost Atlantis" of a helpless, hopeless, unwanted people.

Neither we nor Britain can fall back upon the hackneyed, exaggerated and convenient excuse of military necessity or expediency. The lessons of history seem unavailing. Our scrap iron and oil did not appease Japan. Our appeasement of Vichy and Pétain gave us Laval. Our diplomacy with France and his Palange and with Argentine has been artless and childlike. They play and continue to play ducks and drakes with us.

How ill have the Jews used Palestine that now the one open door must likewise be slammed shut in their search for dignity and security. They husbanded the arid soil of Palestine and made it rich in the fruits of the earth; they built hospitals for the Jew and Arab alike; they brought the lamp of learning to the desert with schools and the world-renowned University; they brought music and science to a world that had been left behind in civilization's march.

That which was uncultivated and considered uncultivable by the Arabs has been cultivable and cultivated by the Jews. The sands of Rishon Le Zion, the swamps of Hedra, the rocks of Motza, the stoney hills of Menitz, and the largest malarial area in Palestine, the Hulch Basin, which has been classified not only by the Arabs but also by the British Government as uncultivable land is now being turned into the most prosperous and productive land of Palestine. They had to reclaim, drain, reforest, fertilize and irrigate; they introduced modern and intensive methods of cultivation, modern machinery, new breeds of cattle and poultry, new plants and seed rotation of crops. In 1939, the Peel Royal Commission stated: 12 years ago the national home was an experiment; today it is a going concern!

There has been since then further expansion. New industries have been started, textile, chemical, wood, metal, electrical, food, building clothing which supply the home market and the Near East as far as India. In 1941 alone, over 200 new Jewish industrial undertakings were established.

Nor has the immigration and settlement of Jews in Palestine been at Arab expense. The increase in the yield of the land has made it possible not merely to provide for additional settlers, but makes it possible for the old settlers to enjoy a higher standard of living. The Arabs, it was shown, have chosen to live in greatest numbers in the neighborhood of Jewish settlements, and the increase of the Arab population has closely paralleled the Jewish increase, not

only through the lowered death rate, but also because large numbers of non-Palestinian Arabs had seeped into the country to enjoy the highest standard of living in the Near East. Indeed, it would be a calamity for the Arabs if the Jewish settlement in Palestine were to be liquidated. The much vaunted limitations of "absorptive capacity" of Palestine is a myth in the light of Dr. Weizmann's statement that there is room for 2,000,000 more souls in Palestine, and even that estimate has been deemed conservative. It is time to ask why these facts are not given space in newspapers and magazines of large circulation? Have not they earned a right to be heard?

Let the Jews go elsewhere, it will be said in mocking parallel to "Let them eat cake." Of all the nations fighting together in the name of freedom and liberty, not one has raised its voice to make them welcome, to offer them rescue, refuge or asylum.

What answers can those responsible for the statement give when asked: "What is the remedy?" Where shall these people guilty of no crime but that of being born Jew go? What plans are offered by the authors of the Atlantic Charter and the Four Freedoms for the re-settlement of the Jews after the war? Will the anti-Semites give the final answer to an uprooted people?

On the contrary, it would appear that certain forces have done their work exceedingly well in preparing for an uncritical receptivity of the forthcoming statement. A number of inspired articles have appeared, all following in what seems to be a planned sequence, to create the proper atmosphere, beginning with the publication of King Ibn Saud's statement in its opposition to Zionism and continuing through with the publication of the articles by Cyrus L. Sulzberger in recent issues of the "New York Times" which were more sensational than accurate and more dogmatic than wise. Why was this period chosen to review adversely the Jewish question in Palestine? Is there any connection between the appearance of these articles and the mischief to be loosed shortly by Whitehall Street in London and our State Department?

How relevant may or may not be the fact that one or more of our industrial giants have received valuable concessions from King Ibn Saud we do not know. Public Relations Counselors are canny people.

Small wonder that Mr. Churchill has sleepless nights when he thinks of his friend Chaim Weizmann, Zionist leader, for did not Mr. Churchill say in 1939 at the appearance of the now infamous MacDonald White Paper:

"I am bound to vote against the proposals of His Majesty's Government. As one intimately and responsibly concerned in the earlier stages of our Palestine policy, I could not stand by and see solemn engagements into which Britain has entered before the world set aside for reasons of administrative convenience or — and it will be a vain hope — for the sake of a quiet life. I should feel personally unbarred in the most acute manner if I lent myself, by silence or inaction, to what I must regard as an act of repudiation.

I was from the beginning a sincere advocate of the Balfour Declaration and I have made repeated public statements to that effect...There is much in this White Paper which is alien to the spirit of the Balfour Declaration, but I will not trouble about that. I select the one point upon which there is plainly a breach and repudiation of the Balfour Declaration — the provision that Jewish immigration can be stopped in five years' time by an Arab majority....What is that but the destruction of the Balfour Declaration? What is that but a breach of faith? What is it but a one-sided denunciation — what is called in the jargon of the present time, a unilateral denunciation of an engagement? Is our condition so perilous and our straits so poor that we must, in our weakness, make this sacrifice of our declared purpose?"

Mr. Churchill was aware that 53 nations including the United States had ratified the Balfour Declaration. On the 21st day of September, 1922, our American Congress by way of Resolution approved the establishment of a national home for the Jewish People in Palestine. Nay, over and beyond the universal acceptance and approval of the Balfour Declaration, on December 23, 1924, a Convention was signed by the then Prime Minister of Great Britain, Austen Chamberlain, and our then Secretary of State, Frank B. Kellogg, concerning the rights of Britain and the United States in Palestine. Significantly, Article 15 and subarticle 7 of Article 28 read as follows:

Article 15

7 The mandantory shall see that no discrimination of any kind shall be made between the inhabitants on the ground of race, religion, or language. No person shall be excluded from Palestine on the sole ground of religious beliefs.

Subarticle 7 of Article 28

Nothing contained in the present convention shall be affected by any modification which may be made in the terms of the mandate, as recited above, unless such modification shall have been assented to by the United States.

Yet in open violation of both the Balfour Declaration and the Convention of 1924, the MacDonald White Paper flouted the weighted decision of responsible government heads. The Balfour Declaration was consented to by the United States. The Convention of 1924 was consented to by the United States. Who consented to the promulgation of the White Paper? What can Mr. Anthony Eden say when confronted with the forthcoming statement as his own phrases uttered in this country re-echo through his mind, "Never again", he said, "must the civilized world be ready to tolerate unilateral infraction of treaties. That would be to sap the whole foundation of the secure international life which it is our principal purpose to restore." What is the White Paper but a unilateral infraction of a treaty solemnly entered into?

Surely silence cannot break the back of bigotry and racial antipathies. Enlightenment can only follow in the wake of the truth, the truth about the Arabs, for instance. The Allied Nations are well aware that of all the semitic tribes in the East only the Jews contributed the full measure of loyalty to the Allied cause, bringing in proud belief their blood and humble treasures. Not so did the Arabs of Egypt, Syria, Iraq and Iran. Far from being neutral, they were actually hostile, easy prey to the foul noises of German propaganda. Is it necessary to point to the Iraq revolt to illuminate that point?

The

The Arab landed aristocrats, the emirs and military chieftens are as insatiable as Satan. It were just as impossible to satisfy or appease them as is to try to hold back the tide with a green. You cannot deal with them "cartes sur table". And be it remembered these potentates and princes are Arabia - Pan Arabia. Moderation and palliation are considered by them as signs of weakness. They take suitable advantage. Just as Rommel and his Afrika Korps were ready to leap from El Alamein to Cairo and then seal the fate of the Allies in the Near East by closing up the Suez Canal, the lately avowed friend of America and Britain, King Ibn Saud, had not a word to say, could not spare a single trooper, camel or donkey for Britain's use. More British troops were required to patrol the doubtful Arab areas and cities, especially in Egypt, than there were actually facing Rommel's Afrika Korps in the Lybian desert, Pierre von Passon reports.

It was the Jews of Palestine that stepped forward as a man, voluntarily, not waiting for an army call. How many know or care to know that Palestine furnished the British armies in Lybia, Britrea, Ethiopia and Somaliland thousands of doctors, nurses and dentists and placed the great Hedassah medical center of Jerusalem at the disposal of the Empire? Who is there now to give public recognition to the courage, loyalty and steadfastness of the Jews in their aid to the Allied nations in achieving the tremendous victories? The

The striking fact remains that the countries of the Near East with an aggregate population of 45,000,000 (if Turkey is included) have contributed not a single soldier to the forces of the United Nations, the one exception being Palestine which has given her volunteers of whom more than 3/4 are Jews. These Palestinian Jews alone in the British Imperial forces numbered 17,000 in September, 1942 in addition to the 10,000 in the military constabulary of the country.

Yet, such has been the reward of the Jews that Arab appeasement is placed above Jewish honor. In Algiers, another cruel blow is struck by General Giraud's abrogation of the Cremieux decree, depriving the Algerian Jews of their French citizenship, theirs since 1870 when Minister Cremieux in recognition of their loyalty and service to France so decreed, a citizenship that the Arab never wanted and never welcomed.

The MacDonald White Paper must be examined in the light of events since 1939. If it was a "breach of faith" then, how much greater is the betrayal today? No other course but its abrogation is open now and the entire problem of the Jews and Palestine must be re-examined at the forthcoming Intergovernmental Conference on Refugees. To foreclose consideration of additional Jewish immigration into Palestine by any joint pronouncement now would doom the conference to failure. It would surely repeat the cruel mockery enacted at Bermuda and the tragedy of errors at Evian. It would make us co-conspirators in the violation of international decency and honor.

In the wake of the terrible scourge of war, the bitter lesson is hammered home that the Jewish problem is a problem of the civilized world, Jew and Gentile alike. The apathy of nations to the burning, slaughtering and massacring of Jews in Germany did not prevent the horror from spreading to Czechoslovakia, to the Poles, to the Dutch, to the French. That which was viewed as a Jewish question became a world conflagration. Inhumanity is not exclusive; it cannot confine itself to one people without overflowing in all directions to drown a world in hatred and in flames.

No peace can be just or adequate until the Jewish problem is settled. The one realistic approach is Palestine.

I yield to no man in my admiration for the British men and women and their magnificent efforts in this tremendous crisis. The "common man" in England has performed heroically the superhuman tasks occasioned by this greatest scourge in civilized history. The English people and the American people, however, should not be blinded by the dust-storms of official protest as to the fate of the Jews in Europe; they should not be deafened by the noise. Conversation is one thing; it can be charming, interesting and often educational. But the situation has long since passed the conversational stage. Action now is necessary.

When the surgeon enters the operating room and his staff of assistants close in on him at the table upon which the patient rests, immediate action almost always results. The surgeon does not take scalpel in hand and make a few incisions and then cordially invite the boys to a game of poker. From then on all is deftness, co-ordination and cooperation. A human life is at stake and time is of the essence. If, in the interests of humanity, the surgeon does not hesitate, what earthly reason can be presented at this time to countenance delay when the circumstances are surrounded by a complete aura of fatality.

I repeat my avowal of admiration for England's saintly sacrifices that have saved us and the world. But how reconcile that with her attitude towards Palestine. A hole need slip but a few inches to become a noose. She must open Palestine to mass Jewish immigration at once; otherwise, Europe becomes a massive Jewish sepulchre.

Because some of the English leaders regard the Jewish question as an insuperable burden that must be gotten rid of willy-nilly, I must remind them of a classic, favored story of their own King George VI. A boy is carrying an even smaller child up the hill. When asked if the burden was too much for him, he replied, "It is not a burden, it is my brother."

Either Christianity in England and America give concrete meaning to "Love thy neighbor as thyself" or bear the stigma of hypocrisy. Be it remembered that not everyone who says, "Lord, Lord", shall enter the Kingdom of Heaven.

Reading the official protestations of horror, listening to the verbal expressions of compassion and vainly waiting for the bands of inertia to drop from the hands of officialdom, I can almost hear the White Queen of "Alice in Wonderland" saying to Alice, "The rule is: Jam tomorrow and jam yesterday, but never jam today."

What schoolroom cat and mouse game is this to promise, then plague? Are the insatiable Arabs to be fed while the cry of distressed millions finds no answering call?

The British Empire upon which "the sun never sets" with its far flung possessions can now find it in her heart and mind to deny the tiny portion thereof that is Palestine to a people who have watered and nourished it in reliance upon a mighty promise. Had she offered other heavens to the storm-tossed of Europe, she might then have said as did King James to the fly: "Have I three kingdoms and thou must needs fly into my eye?"

What are we offering but silence?

The Jews everywhere - here and abroad - look to President Roosevelt as their only hope, their modern Moses to lead them out of the wilderness, to save them from a new and more terroristic diaspora. It apparently is too late to change the mould of opinion of Churchill, Eden, Halifax and other English leaders save by drastic means. Their ideas are congealed except as Roosevelt will demand change. We humbly petition him to bear upon the British Foreign Office to seek the light that only justice, mercy and humanity can bring. He must bring England back onto the bench of the Balfour Declaration.

I call upon the good people of America to help in this crisis. There is so little time to act. Soon Roosevelt will meet Churchill. They may be in conclave now. Express your views to those in authority in Washington - to the President, to Secretary Hull, Secretary Morgenthau and other members of the President's Cabinet, your Senators, your Congressmen. Your voice will shatter this conspiracy of silence.

BRITISH MOST SECRET
U.S. SECRET

OPTEL 308

Information received up to 10 a.m. 18th September, 1943.

1. Naval

Two of H.M. Battleships bombarded the Salerno area on 16th. One was severely damaged by rocket bombs and is proceeding to Malta in tow. A fleet auxiliary was also bombed on 14th and is in tow. About 8 Italian cargo ships arrived at Malta on 14th including one of over 5,000 tons. An Italian Hospital Ship of 9,500 tons arrived on 15th. The port of Brindisi was opened on 14th and is in working order but labour is scarce. The Italian islands of Procida and Ponza were occupied by Allied forces on 15th. Ischia surrendered on 16th.

2. Military

Italy 16th. By four p.m. leading elements of the Eighth Army had reached Villapiana on coast opposite Scala where they were in contact with our patrols from Taranto. Further inland patrols had reached Castrovillano and Lagonegro where they were in touch with the enemy, and Vaio where they have since been reported in touch with the Fifth Army. South East of Salerno the Fifth Army have reoccupied Albanella and East and North of Salerno have driven off enemy counter attacks near Montecorvino and Cappezzano.

3. Air Operations

Western Front. 16th/17th Modane 651 tons dropped. Cloud and icing met on the way but clear visibility at Modane. Objective identified visually, many fires seen burning well.

Antheor No cloud, good visibility target clearly seen all crews confident bombing was accurate and one arch reported definitely hit.

17th/18th. Aircraft despatched: sea mining eight, Berlin six, railways Brittany seventeen.

Italy 15th/16th. Wellingtons dropped 240 tons on the Torre Annunziata/Pompeii road.

16th. 357 heavy, medium and light bombers attacked communications in the Naples and Salerno areas. Liberators dropped 74 tons on a supply dump and road junctions at Potenza.

NOT TO BE RETRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 311

Following is supplementary resume of Operational events covering the period 11th to 18th September, 1943.

1.

NAVAL

TIRPITZ and SCHARNHORST are back in Altenfjord.

Mediterranean. Five Italian battleships, eight cruisers, eight destroyers, twenty submarines and at least forty smaller craft are now in Allied hands. One old battleship refitting, one Littorio Class under construction, two damaged Cruisers, 24 destroyers, 35 torpedo boats and about 40 to 45 submarines are under German control or unaccounted for. H.M. and U.S. Cruisers and Destroyers, augmented on 15th and 16th by 2 of H.M. Battleships. Have maintained constant bombardment of enemy positions in Salerno Area. Initial landings took place in good weather but ships' movements were hampered by mines. Naval Seafires gave Fighter cover from H.M. Aircraft Carriers for four days until they could use an airfield ashore.

On 14th naval barrage was used to break up enemy tank attacks. H.M. Cruisers also brought reinforcements from Tripoli to Battle Area. French Destroyers and a submarine have landed troops at Ajaccio. Brindisi, Bari, Cotrone and Capri are in Allied hands. H.M. Submarines have sunk two small Merchantmen, hit 7,000 ton tanker with torpedo and bombarded Samos. Allied Forces have landed on Kos, Leros and Samos. Allied Naval casualties have been light.

SUBMARINE WARFARE

Summary of anti-submarine attacks in September reported to noon fifteenth. Number of attacks by shore-based aircraft nineteen, by carrier-borne aircraft one, by Warships fourteen. Sunk and probably sunk by aircraft 2, possibly sunk by Warships 2. Probably damaged by aircraft 1. Possibly damaged by aircraft 1, by Warships 3.

Shipping Casualties. In September to date no Merchant ship is known to have been sunk in any theatre by U-boat, Week ending 12th six Ocean convoys arrived destinations without loss. From 11th to 17th inclusive four

OFFICE
SECRETARY OF TREASURY

1943 SEP 23 AM 8 54

TREASURY DEPARTMENT

known casualties all by aircraft. British ship in tow West of Portugal bombed and sunk. British Hospital Ship bombed off Salerno sank two days later, one U.S. ship bombed and sunk and one damaged in Italian Operations.

Trade. Imports in convoy into United Kingdom week ending 11th. 1,396,000 tons including 699,000 oil.

2.

MILITARY

Italy, Salerno. Four German Divisions now identified by Fifth Army, two of which believed not repeat not fully engaged. Air reconnaissance suggests elements of a Division from Rome Area moving South. In addition Division which has been acting as rearguard in Calabria now likely to be available although advance of Eighth Army will increasingly complicate enemy's position on his left Flank,

Summary of Operations.

On 11th Port of Salerno opened and A/A defences installed. Enemy by this time realised importance our attack and had concentrated his Forces. Object to cut bridgehead in half.

12th heavy enemy counter attacks launched which continued throughout following day. Situation became critical forcing British to withdraw from Battipaglia.

13th considerable penetration on 2-mile front made along line River Sele. U.S. troops withdrew from Altavilla and Albanella.

14th reinforcements including armour continued to arrive by sea and air. German attempt to break through held.

15th our positions consolidated and very dangerous moment passed.

16th Several counter attacks repulsed, and on 17th position continued to improve with enemy attacks again repulsed. Albanella and Altavilla recaptured by R.S. Troops in Taranto Area. There are seven airfields in good condition. Three hundred British Prisoners of War were rescued from a camp at Pisticci. Reinforcements have arrived and situation here is satisfactory.

German divisions. No change in general disposition as between North and South Italy. Total remains eighteen, all offensive.

Burma. Further reports of Japanese carrying out relief in Buthidaung Area, where enemy troops suffering from dysentery.

3.

AIR OPERATIONS

Western Front. Night. 929 Sorties. 18 aircraft missing. Very Successful attack on Dunlop factory, Montlucon 12 out of 26 major buildings destroyed and remainder damaged. Modane Railway centre attacked with objective interrupting communications between Germany and Italy via France. Antheor Railway viaduct attacked with same object. Day. Fortresses bombed factories in Paris Area with following results - Hispanne Suiza successful three of main workshops destroyed Caudron-Renault very successful every building hit, Renault at Billancourt heavy damage. Citroen damaged. Fortress attacks on Nantes docks very successful, one destroyer sunk and much damage caused. In R.A.F. attacks one 3,000 ton ship torpedoed off Norway, three 1,000 ton ships damaged

(3)

damaged off France and Holland and several small craft damaged off Dutch Islands.

Mediterranean Area. Italy. Allied heavy, medium, light and Fighter bombers maintained heavy scale attacks in support of our troops. Bomber Sorties totalled 720 in one day alone. Enemy positions and communications round Area Salerno Bridgehead were repeatedly attacked. In one day 741 Fighter Sorties were flown over Salerno Beaches where they encountered total 120 enemy Fighters and Fighter bombers. A 2,000 ton enemy ship was torpedoed off Leghorn. In all these operations Allies lost 23 aircraft.

Russia. In the Don Basin the Russian Air Force heavily bombed the German lines of retreat by day and night and damaged many troop trains and motor vehicles. German Airfields were attacked by day and many aircraft reported destroyed on the ground. Elsewhere in the active sectors of the Front the Russian Air Force was chiefly engaged in direct support of their ground forces.

4. Extracts from Photographic and Intelligence Reports of Allied Air attacks.

Mannheim. Attacked 5th/6th. Photographs 9th show considerable damage to business and residential property in the most closely built-up areas of both Mannheim and Ludwigshafen many streets between Mannheim Main Railway Station and river are devastated. New Industrial damage includes factories making Artillery Tractors and Tank Components, chemicals, Marine Diesel Engines (Sulzer) etc., Also Railway Repair Shops, Gas Works and Main Post Office.

Hamburg. Final summing up indicates destruction on scale far beyond anything yet achieved in Air bombardment. There are thousands of acres in which every building in every street is ruined.

Special Items. Over 77 percent of the fully built-up Area destroyed or damaged., all four main shipyards damaged. five floating docks sunk or damaged also many ships including 12 Medium sized or Larger., in one dock every warehouse for about a mile is burnt out., 2 important power stations appear to have been idle every since, two other power stations badly damaged, two very large gasholders burnt out.

5.

HOME SECURITY

Although over 20 bomb incidents reported: 15th/16th only one civilian in Kent Village killed during period.

BRITISH LOST SECRET
U.S. SECRET

OPTEL NO. 309

Information received up to 10 a.m., 19th September, 1943.

1. NAVAL

Reconnaissance of SPEZIA 15th showed 1 Italian Cruiser, 1 Destroyer, 1 torpedo boat and a cargo ship had been scuttled. An 8 inch Cruiser appears to be damaged by fire. At SAVONA, 4 merchant vessels had been scuttled and at TRIESTE, 1 Tanker, 1 merchant ship and a coaster.

17th. A Hospital Ship was ineffectively bombed off SALERNO and an Italian Hospital Ship was attacked by aircraft south of COTRONE. One of H.M. Destroyers was damaged by near misses. Another of H.M. Destroyers sank 2 cargo ships in the Southern AEGEAN on 17th.

2. MILITARY

ITALY. To 4 p.m., 17th. 5th Army. South of SELE, the front remains fluid. On 16th, U.S. troops captured ROCCADASPIDE and on 17th, ALTA-VILLA. Air Reconnaissance report Allied Troops at CONTRONE, 6 miles north of ROCCADASPIDE. British troops have recaptured BATTIPAGLIA.

8th Army. Leading elements are moving north from LUGGENEGRO towards LONTESANO.

TARANTO AREA. There was strong reaction from Germans in small night engagements at GIOJA and LATENZA.

SARDINIA. Germans reported to have almost completed evacuation to CORSICA after attacks by 2 Italian Divisions. Some Italian bombers have been attacking German craft in the STRAIT OF BONIFACIO.

CORSICA. Italians and patriots have made some gains in the south.

GREECE. Most Italian formations have been disbanded by the Germans.

ADRIATIC. Germans have seized 'LJUBLJANA' and disbanded the Italian Garrison. Partisan Guerrillas have captured SUSAJ and SPLIT. Italians have overcome German opposition in the CETINJE-KOTOR Gulf Area and were resisting the Germans and Croat Pro-German troops at DUBROVNIK on 14th.

3. AIR OPERATIONS

WESTERN FRONT. 18th. A total of 52 escorted light and medium bombers attacked airfields at BEAUVAIS and ST. OMER and 1 of the railway centres at ROUEN, dropping 55 tons in all. Enemy casualties: 1.0.1. Ours: 1 missing. Typhoons damaged a 1,500 ton ship, 6 tugs, 9 coasters and 15 barges off the Dutch Coast. 18th/19th. Aircraft despatched: Sea-mining - 49, COLOGNE - 5,

ITALY. 16th. Mustangs dropped 30 tons on roads and transport destroying 16 vehicles. Lightnings patrolled the beaches and released 81 tons over the battle area.

16th/17th. Wellingtons dropped 150 tons on CISTERNA/LITTORIA Airfield and other aircraft attacked communications dropping altogether about 65 tons.

17th. 78 tons were released by Liberators on railway objectives at PESCARIA. Airfields at outskirts of ROME were bombed by heavy and medium bombers. A total of 242 tons was (5 escort groups) aircraft and 18 gliders were reported destroyed on the ground. Lightnings and Mustangs dropped 120 tons over the battle area.

UNITED KINGDOM TREASURY DELEGATION

BOX 680
 BENJAMIN FRANKLIN STATION
 WASHINGTON, D. C.

September 19, 1943

TELEPHONE EXECUTIVE 2020

REFERENCE:

4

SECRET

Dear Dr. White:

The gold and dollar figures for August 1943 are as follows:

	<u>Aug. 6</u>	<u>Aug. 13</u>	<u>Aug. 20</u>	<u>Aug. 27</u>
Total Gold	977	982	968	972
Official Dollar Balance	<u>444</u>	<u>449</u>	<u>479</u>	<u>505</u>
Total Gold and Dollars	1421	1431	1447	1477
Scattered Gold	232	237	235	234
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u>1179</u>	<u>1184</u>	<u>1202</u>	<u>1233</u>

Yours sincerely,

A.T.K. Grant

A.T.K. Grant.

Dr. White,
 Assistant to the Secretary,
 United States Treasury,
 Washington, D. C.

September 20, 1943
9:40 a.m.

130

HMJr: Is -- What's new, Herbert?

Herbert
Gaston: Well, I haven't heard anything new. The -- the group is here. It's Dan and Randolph Paul and John Sullivan and Harry White, Norman Thompson and George Haas and Ted Gamble.

HMJr: Well, you might tell Fred Smith that he might get in touch with Colonel Sexton in General Marshall's office.

G: To get in touch with Colonel Sexton in General Marshall's office?

HMJr: When he gets in....

G: Yes.

HMJr:and ask him if there's any new directives other than the last one that General Marshall gave me in regard to Colonel -- General Eisenhower's suggestion as to what we should say in regard to Italy....

G: Uh huh.

HMJr:and that I'm thinking -- I don't know whether I'll do it -- of talking to the Italian population in New York on Thursday....

G: Yeah.

HMJr:and have they got anything over there other than what General Marshall gave me.

G: Uh huh.

HMJr: They had a directive from Eisenhower what they'd like us to say.

G: Uh huh.

HMJr: It's a week old -- now, they may have something else.

G: Uh huh. Now, what day are you going to talk on that?

- 2 -

HMJr: Pardon me?

G: What?

HMJr: I may go down on the Lower East Side and talk to the Italians.

G: On -- tomorrow, Tuesday?

HMJr: Thursday.

G: Oh, Thursday.

HMJr: Thursday.

G: Yeah.

HMJr: Yeah.

G: Uh huh.

HMJr: And Smith should contact Colonel Sexton.

G: Yes. Yes.

HMJr: That's about all I've got. Uh --

G: Randolph Paul....

HMJr: Does Paul know anything on taxes?

G: No. He'd like to ask you about the suggestion of Lee Pressman that he attend that meeting of the Steel Workers' Executive Committee on Tuesday.

HMJr: I think he should do it.

G: Yes. Yes. All right.

HMJr: And I'm anxious that you gentlemen contact -- continue to contact them.

G: Yes. Yes. We're trying to get hold of some of the A.F. of L. people this morning.

HMJr: Good.

G: And....

HMJr: What is -- is Paul there?

- 3 -

G: Yes, Paul is here.

HMJr: May I talk to him then?

G: Yes.

Randolph
Paul: Hello.

HMJr: Paul?

P: Yeah.

HMJr: Good morning.

P: Good morning.

HMJr: What is the temperature of Doughton and Stam?

P: Well, Doughton -- Doughton is all right. Of course, Stam is perennially sore at us, but....

HMJr: Perennially -- that's an annual isn't it?

P: Well, I mean continuously and perennially.

HMJr: Right. (Laughs)

P: He - uh - but he's being quiet now and Doughton is very -- of course, you know I -- we told Doughton that we would be glad to get the hear -- start the hearings in the month of September....

HMJr: Yeah.

P:since he was so pressing about it....

HMJr: Yeah.

P:and he seemed to feel very friendly about that.

HMJr: Very what?

P: Very pleased that we were.

HMJr: Oh.

P: And he's planning on sometime next week....

- 4 -

- HMJr: Well, listen, fellow, about the only day I'm going to be in town next week, when I won't be out speaking, I think, will be Monday.
- P: Well, of course, it has to be fitted in with Stam. We'd be ready to go Monday, but Stam may get in a -- a postponement, but I don't care if you put it off on account of Stam. —
- HMJr: I haven't seen the columnists and all the other s.o.b.'s.
- P: (Laughs)
- HMJr: But I haven't -- what I saw -- I haven't seen any unfavorable comment on postponing it.
- P: Well, there was an editorial in the Times that was a little critical, but....
- HMJr: Oh, what the hell!
- P: ...but they'd be anyway.
- HMJr: On the other hand, I've seen plenty of editorials about Doughton's crack that he couldn't make out his income taxes.
- P: Yeah. He's very sore that that got out.
- HMJr: But he doesn't blame us, I hope.
- P: No, not at all. He's feeling very good toward us.
- HMJr: If we'd -- every day that we can gain, we can make some friends for my plan.
- P: Yeah.
- HMJr: And....
- P: But on the other hand, we've got to maneuver so that Stam asks for the time and not us.
- HMJr: I agree with you. You're good at that.
- P: (Laughs) Well, did you - you want us to go to Pittsburgh -- you want me to go to Pittsburgh to see this convention?

- 5 -

HMJr: Oh, I think it's very important.

P: All right. Well, we'll -- we couldn't get any of the labor people except Pressman Saturday. We're after the A.F. of L. people but they're awful hard to stir up.

HMJr: Yeah.

P: However, they have issued a -- they have issued a resolution in favor of Social Security.

HMJr: I think it will be swell for you to go to Pittsburgh.

P: Well, I'll go tonight then.

HMJr: All right.

P: And we're writing your statement now.

HMJr: Good. Well, uh -- I....

P: I'd like to get ahold of your speaking schedule. I guess somebody here has that, hasn't he?

HMJr: Well, the only set speech that I have is for Thursday, all day, in New York.

P: This coming Thursday?

HMJr: This week. And I'm supposed to be somewhere on the 27th, either in New Orleans or Houston or someplace. Gamble would know.

P: Well, the 27th is Monday.

HMJr: Is Gamble there?

P: Yeah. Just a minute. He says that you are tentatively set for New Orleans on the 27th.

HMJr: Well.

P: So, that would mean that you'd rather have it the 28th or 29th.

HMJr: I didn't know the 27th was on Monday. I'll be down this afternoon and Gamble and Smith and Gaston and I will set our speaking date, you see?

- 6 -

P: Yeah, well we have to fit this other thing into that, you know.

HMJr: Well, I think I'm pretty well committed for the 27th.

P: Well, that will be all right. We can get it to a day -- some other day right near there, but Doughton is very anxious to get it -- to start them in the month of September. It's like a Macy bargain -- a \$1.99.

HMJr: Yeah. At least it isn't one of those Ruml bargains....

P: (Laughs) Yeah, that was an unfortunate reference I'm afraid. It always stirs you up. (Laughs)

HMJr:in the basement.

P: Or anything will get you fighting mad....

HMJr: You can't get me fighting mad. I'm too low this morning.

P: (Laughs) Any -- do you want to speak to anybody else here?

HMJr: I'd like to talk to Gamble a minute.

P: Gaston wants to speak to you again, too.

HMJr: All right.

P: Here's Gaston. (Aside: Gamble, he wants to talk to you.)

Herbert
Gaston: We might do something on the newspaper front. I noticed that Kiplinger's tax letter this morning says that there is discussion in some quarters of trying to combine increased Social Security taxes with the income tax schedules....

HMJr: Yeah.

G: So it's out in that way.

HMJr: Yeah.

- 7 -

G: And maybe we could feed it a little bit.

HMJr: Well, I'll leave that to you and Smith.

G: All right, I'll talk it over with Smith.

HMJr: I'll leave it to the two of you.

G: Okay, here's Ted.

HMJr: All right.

Ted
Gamble: Good morning.

HMJr: Hello, Ted.

G: How are you, sir.

HMJr: Pretty good. Three speeches in a week has kind of got me.

G: Well, it's all the preparation and all the moving around more than the speeches, I think.

HMJr: Well, what -- my pilot says I have to leave here at two.

G: Yes.

HMJr: So I thought when I got down there, you and Fred and I could settle that New York schedule.

G: Fine. Well, we sent those people up this morning.

HMJr: Yes.

G: We have three of them up there.....

HMJr: Good.

G:getting all that information.

HMJr: Good.

G: So we'll be available when you get in.

HMJr: If they say anything to you, "When is Morgenthau....?" -- you can tell them by five o'clock tonight you'll know.

G: Fine. Fine. Well, that's time enough.

HMJr: And I think that that will be good.

G: Fine. Well, I'll give you a report on New Orleans then, too, and you can settle the whole thing.

HMJr: Right.

G: All right, sir.

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

G: Fine.

HMJr: Except that I think that if the gang hasn't seen it -- that's Burgess' statement in this morning's paper on com -- against compulsory savings is a very powerful statement.

G: Yes. Well, I'll see that they -- that it's circulated.

HMJr: Yeah.

G: All right, sir.

HMJr: Okay.

G: Fine. Bye.

9/19/43

Statement by W. Randolph Burgess

In a recent report, Mr. Burgess stated he was inadvertently quoted as saying that the average New Yorker was falling down on buying bonds, and that unless individual purchases increased, the alternative might be a change from voluntary to involuntary methods of reaching war swollen incomes. I should like to clarify these two points.

In the first place, individual buyers are not falling down on the job. The figures for individual purchases are naturally smaller at this stage in the campaign than the figures for life insurance companies, savings banks, and corporations, which have large sums available to invest immediately. On the other hand, the campaign of individual buying has only just well started. There is always a lag in putting through and recording the huge volume of small bond purchases; so that the reported figures are several days behind the actual buying. Individuals are now making pledges both through payroll savings and house-to-house canvasses which will appear in the figures later. The campaign to reach individuals is getting a magnificent start.

- 2 -

It will need all the energy and vigor that we have; but the results so far are encouraging.

The argumentation about compulsory savings is the old fallacy that there is some substitute in this country for voluntary effort and initiative. Compulsory savings in England and Canada and elsewhere has never produced substantial amounts of money, and it can not. Such a program, like any tax program, applies inflexibly to everybody, and there are a large group of citizens who are doing everything they can. The great virtue of voluntary subscriptions is our flexibility. Each subscribes according to his ability. We are raising virtually larger sums than any program of compulsory savings would bring in, and doing it in the democratic way. Now it is up to all of us to prove this American method by reaching every possible individual buyer of bonds.

September 20, 1943
4:35 p.m.

THIRD WAR LOAN DRIVE

Present: Mr. Bell
Mr. Gaston
Mr. Smith
Mr. Gamble
Mrs. Klotz

H.M.JR: This is what I would like to talk with you people about: I don't know which States, and so forth, but you have it in mind, I am sure. You fellows know. I really had a wonderful time in St. Louis.

I thought of the farmers. I listened this morning to the WOR six to seven program, and they were very good. They announced that the Farm Credit Bank at Springfield had some kind of a competition for farmers which they would announce in more detail tomorrow. But I got to thinking about the farmer; we haven't talked of the farmer. That is what I thought about.

On the other hand, I don't know how many gripes the farmers have and how bitter they feel. That will be maybe all the more reason to do something. I don't agree with Fred. I think I have got to go to New York. I will tell you why: After all, in the first place, New York represents forty percent of our money, doesn't it?

MR. GAMBLE: About thirty-three and a third.

H.M.JR: Burgess stood by me when no other finance man would.

MR. SMITH: I didn't say you shouldn't go to New York. I said you could go as well to New York next week as you could this week, that you weren't going to achieve

- 2 -

anything by the week's advance in time, particularly, and you can't - if you are going to do anything for farmers, you have to do it for farmers this week in order to get any good out of it. If you wait until next week, the drive will be over by the time the farmers are contacted, by the time they know anything has happened. That is all.

H.M.JR: What do you think?

MR. GAMBLE: I think that the best fellow to answer that is Burgess, if he is not too far along in his plans. I wouldn't want to disappoint him. I agree with you. If it is going to be embarrassing to them, of course, to postpone it a week, I wouldn't postpone it. Otherwise, I agree with Fred.

H.M.JR: I can go on the noon hour on the radio here from Washington.

MR. SMITH: Yes, you can, you can do that. You could do it from New York or any place else.

MR. GAMBLE: On Saturday we had the Farm and Home Hour.

H.M.JR: How are the farmers doing?

MR. GAMBLE: The farmers seem to be doing very well. The State leading the E bond sales is Iowa. They are ahead of any other State in E bonds. We contacted every program director of the United States, and they are making special appeals.

H.M.JR: What do you mean?

MR. GAMBLE: Farm program directors. They have these early morning hours on the radio.

H.M.JR: I heard WOR, which is Mutual; then the end of WEAJ, and they both did the farm stuff. They both have agricultural hours.

- 3 -

MR. GAMBLE: All we heard from agreed to do it. They are making special appeals.

H.M.JR: Let me ask Burgess.

Admiral King is coming here at eight-thirty tomorrow morning - I am switching, but it is all on the same thing. I asked to go to him, and he very kindly offered to come here. I want to say to him, "Admiral, what is it that I can do through the bond drive on the home front which would help you?" and get him to think. I don't know what he is going to say, but I am going to listen.

I certainly got good ideas from Marshall. I am human enough, but I can't help but be pleased that through that, the way the boys helped me write it--

MR. GAMBLE: It made an impression.

H.M.JR: The President followed right along. There is no question about it. I think this thing about the Navy being so big and all that - it is just braggadocio. It is stupid to say how big we are.

He might say, "I would like you to go - we are falling behind on destroyers, and I would like you to go to a destroyer yard," or, "We are falling behind on battleships. I would like you to go to a battleship yard." That is why I want to hold up on the thing with Maritime.

MR. GAMBLE: That is tentatively scheduled for Delta Shipyards at New Orleans.

H.M.JR: That is why I want to hold up. If I am going to do something on it, see, I want to do that which would be most pleasing to Admiral King.

MR. GAMBLE: He has a lot more information like General Marshall that hasn't been given out.

H.M.JR: I just don't know. He will be here tomorrow morning. Nobody but Eleanor Roosevelt could do what

- 4 -

Burgess plans for me that day and live the next day.
(Laughter) I mean, nobody but a Roosevelt could do that.

MR. GAMBLE: Of course you really do those things. You always say you aren't going to do them. Then you get in a town and you go through that same schedule. You went to Cedar Rapids, and you made more calls than that. You went to Portland - I told you you didn't have to do any of those things, and you do them all. (Laughter)

MR. BELL: He doesn't want to be scheduled. (Laughter)

MR. GAMBLE: You end up doing them all. (Laughter)

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

September 20, 1943
4:45 p.m.

204 ✓

Randolph
Burgess:

Hello, Henry.

HMJr:

How are you?

B:

I'm pretty well. How are you?

HMJr:

Well, I'm fine. You fellows are going great guns up there.

B:

Well, we're trying hard.

HMJr:

Well,...

B:

I think it's going pretty well.

HMJr:

Looks good to me -- a man in the street.

B:

Well, the -- the problem is the individual sales. Of course, that's still the problem and....

HMJr:

Yeah.

B:

....the danger is that when we get over our quota which we're going to do in a few days -- is that there should be a let down and we're doing everything we can to have a program which will keep it going.

HMJr:

Right.

B:

And I thought your being here Thursday, if you will, would be an enormous help on just that.

HMJr:

Well, what I'm calling up on, before I get on that, I also loved your talk on "compulsory savings".

B:

Good. I thought you might like that.

HMJr:

Yeah.

B:

Well, the boys -- the boys misquoted me on Saturday and had me arguing that if this didn't succeed, we'd have to go to compulsory savings.

HMJr:

Oh. I didn't....

B:

I couldn't let that stand on the record.

- 2 -

HMJr: I didn't see that. Well, hit it again.

B: All right. We will.

HMJr: What I'm talking about is -- how important would -- is it to you -- I'm coming but I want to know whether it's this week or next week.

B: Oh, well, I think this is the week to do it, Henry....

HMJr: You do?

B:if you possibly can.

HMJr: I see.

B: We're getting pretty well all set for it.

HMJr: Uh huh.

B: And this is about the right time to give it a kick.

HMJr: Uh huh.

B: Next week would be a little late.

HMJr: It would be.

B: We've got a parade on next Tuesday....

HMJr: Yeah.

B:which I think will give us our next week's kick.

HMJr: Yeah. I see.

B: So, if you could do it this week, it would be a great help.

HMJr: Well, we're just sitting here now -- there's Bell and Gamble and Fred Smith and Gaston and myself and we'll settle it in the next fifteen minutes.

B: That's fine. I hope you're feeling good and strong because we want you to see the works.

HMJr: Nobody but a Roosevelt -- Mr. or Mrs. Roosevelt could do what you plan for me Thursday and live.

- 3 -

B: No, it will be very nice and easy. We'll just put you in a comfortable car and whisk you around.

HMJr: Yeah.

B: I did it the other night. I went around and saw all of our....

HMJr: Well, you're a young fellow.

B:zone outfit.

HMJr: You're young....

B: The younger boys started this.

HMJr: You're just a young fellow.

B: (Laughs)

HMJr: Well, when we get through, Ted will give you a call.

B: Very good.

HMJr: It will be within the next half hour.

B: Thank you very much, Henry.

HMJr: Well, thanks for wanting me.

B: All right. Well, we're delighted that you can come.

HMJr: All right.

B: All right.

- 5 -

H.M.JR: Now, I owe that fellow - it is the first thing he has asked me, Fred; I mean, I owe that man a lot.

MR. SMITH: That is true. I grant you that. Of course you could - it would be pushing your schedule up a little bit, but you could go on the Farm and Home Hour from your farm on Saturday.

H.M.JR: Well, let's settle Thursday now - what I am going to do - shall we? Then we will do the other.

MR. GAMBLE: Fine. Here is what they would like you to do. They would like you in the morning to visit three offices, Queens, Brooklyn and the Bronx. That is cutting it down. Then they would like to add to that, either in the morning or afternoon, a visit - preferably in the morning so you would have your afternoon free - to the Italian settlement - some Italian community where they have a War Bond office and are working - not one of Generalissimo Pope's. (Laughter)

Then they would like you to have lunch at the Federal Reserve Bank, not a formal or publicized affair, but a small luncheon including Allan Sproul and his Board of Directors, W.C. Potter, and two or three of the leading bankers that have helped Burgess. They would like the Stock Exchange - I think we can waive that so that you have the whole afternoon free.

Then you can meet with the War Finance Committee of New York at five or six, before your broadcast, and go on at six-thirty on the CBS network, and do this show with this group of people.

H.M.JR: Just a minute - I am personally not crazy to do the New York Stock Exchange.

MR. GAMBLE: Of all the things that they had planned - I talked to Burgess this morning about the possibility of scratching that off. I don't think he would be too much disappointed if we didn't.

- 6 -

MR. BELL: What does that mean?

MR. GAMBLE: They want to have a bond rally at the Stock Exchange - shut down the Exchange and have this rally coincidental with the Secretary's visit there. Emil Schram is going to have all the Stock Exchange members and have a bond sale - close the Exchange.

MR. BELL: Take very long? He has been very cooperative.

MR. GAMBLE: I should say half an hour.

H.M.JR: Some of them did a whale of a job. It has to be at three, that is the only trouble.

MR. GAMBLE: Yes.

H.M.JR: They won't shut it down--

MR. GAMBLE: Just ahead of the closing.

MR. BELL: That would be right after your luncheon at the Federal.

H.M.JR: Yes, but I have got to get a little rest. Well, the only thing - if I am to do the New York Stock Exchange - I would want lunch at twelve o'clock and I know that they have rooms there where I could go and rest afterwards.

MR. BELL: That is right, they have good beds. They have beds in the Federal Reserve Bank.

H.M.JR: Right in Sproul's room, too.

You fellows are invited here not for your decorative qualities-- (Laughter)

MR. GASTON: I think there is no objection to the Stock Exchange. I think it has some advantages, but it is a question of your endurance - whether you can fit it in or not.

- 7 -

(Mrs. Klotz entered the conference.)

H.M.JR: I don't mind going to the New York Stock Exchange. I think it would be rather amusing.

MR. GAMBLE: I think, as a matter of fact, Mr. Secretary, it is a tribute to you and to the manner in which this whole program has been smoothed out, for these people to enthusiastically want you to come. They have had great interest.

H.M.JR: Sproul has got to send me an invitation if I am going to go. I can't do it through Burgess.

MR. GAMBLE: He will invite you.

H.M.JR: I was saying, if I could go to the Federal Reserve at twelve for lunch - they have regular rooms there - I can have about an hour's rest.

Are you opposed to the Stock Exchange?

MR. SMITH: I am not opposed to it. I think that you got a good chance - you have got to recognize the possibility that this whole business of Morgenthau versus the bankers may crop out again. If you go to New York and wind up going both to the Federal Reserve luncheon - which they say is not a publicized event, but I don't believe it - I think that the columnists, Leslie Goulds, are going to know about it - and the Stock Exchange--

H.M.JR: If they invite me, why isn't it on the plus side?

MR. SMITH: The only thing is that you have said it is going to be very difficult to raise the last five billion dollars and you are giving the columnists an opportunity to point out that the bankers raised at least thirty percent of all your money - the bankers in New York. And if they do do that - if the columnists do break that all up again and have you tipping your hat to the Federal Reserve Bank and the bankers, you are going

- 8 -

to have D'Olier and all the outlying bankers in the country who don't like Wall Street getting the impression you are paying tribute to Wall Street bankers for what they have done, aren't you?

H.M.JR: That is one way to look at it.

MR. SMITH: The wrong way, I grant you. I say that is the liability.

H.M.JR: I tell you how we could offset that. Whatever the radio program is, let's make it a strictly people's program. I don't know what the program is. I tell you how I feel - very human. I never go to these financial writers' dinners. The only dinner I have gone to in ten years - one was a farewell dinner to George Harrison and I once had lunch at the Federal Reserve. That is twice in ten years that I have been there.

Now, these fellows have gone to town and I think it is the generous thing to do.

MR. GAMBLE: I think you can afford to be magnanimous ~~about~~ it.

H.M.JR: I think it is the generous thing for me to say thank you. Sproul certainly knows I am coming and I can say, "As far as I am concerned, look, I don't care who I eat with."

MR. GASTON: The point of view of the whole thing is that bankers and stockbrokers, they, too, are citizens.

H.M.JR: You know, that was what Sproul wrote me after this meeting. He said, "Bankers, and so forth, also send their sons to war." That is in his letter to me. That was the thing he wrote to me. "We also send our sons to war" - that is exactly what he wrote to me - "we also send our sons to war."

Now, I tell you, Fred, you see, you are a cynical

- 9 -

fellow that has been burnt up in New York - and so have I. But I rather kind of like to go in the lion's den. I like to be David.

MR. SMITH: I won't oppose it.

H.M.JR: You can carry on the - what do you call it - the comparison of David - the analogy of David. As far as I am concerned, I would rather like to be David up there.

MR. BELL: I think you will get good treatment and be glad you went.

MR. GAMBLE: I certainly have seen no evidence but that these people have done a good job.

H.M.JR: Do you suppose they are going to say, "Why twelve o'clock?"

MR. GAMBLE: No. As a matter of fact, I suspect that is their lunch hour.

MR. BELL: One o'clock is the lunch hour for the Fed.

H.M.JR: Let's say twelve o'clock.

MRS. KLOTZ: Why do you want to eat at twelve o'clock?

H.M.JR: So I can be at the Stock Exchange at three.

MR. GAMBLE: This way you will know you can leave your luncheon and have your rest.

MR. GASTON: Being one of the Quiz Kids, I want to call your attention to the fact that it was Daniel and not David that went into the lion's den. (Laughter)

H.M.JR: Again I felt on shaky ground, but I knew in front of these people, somebody would correct me. (Laughter) It was Daniel. It was David who threw the sling shot.

- 10 -

We will do that, then at three o'clock the Stock Exchange. Then when is my next appearance?

MR. GAMBLE: At five o'clock.

H.M.JR: Where?

MR. GAMBLE: At five o'clock with the New York War Finance Committee, in their office.

H.M.JR: Just "Hello"?

MR. GAMBLE: That is right.

H.M.JR: And then what?

MR. GAMBLE: Then Burgess has invited you to have a quiet dinner with him at his apartment. This is not an arranged thing, Mr. Secretary. He said he would like to have you do it so you could be away from the crowd.

H.M.JR: I think, as far as I know, Mrs. Morgenthau is going to be up there and if she is, then I will have a quiet dinner with her. I have asked her to go on this thing. She will if she is well. We are terribly worried about her legs. She doesn't know whether she will or won't be--

MR. GAMBLE: That can be left open. I want you to know we discussed what you were going to do about dinner. At six-thirty, before dinner, you will be on the CBS network - six-thirty to six-forty-five.

H.M.JR: What do I do at six-forty-five?

MR. GAMBLE: Six-thirty, that is your radio program.

MR. GASTON: A fourteen-minute speech?

MR. GAMBLE: Following the original suggestion that was made, we have discussed only the possibility of the Secretary visiting with these people on the air - a round-table affair, with the Secretary taking the last three or four minutes to make a statement about what he saw in New York.

MR. GASTON: That is better than an actual town meeting.

- 11 -

MR. GAMBLE: I think, Fred, you will want to go up to New York and sit down with the CBS people.

H.M.JR: No, these fellows have got to stay here with me tomorrow. We have to write a speech tomorrow.

When I leave here Wednesday afternoon to go up to New York, I am going to the theater, taking Mrs. Morgenthau and my father to the theater. We are going to see "Oklahoma." Incidentally, if we go to lunch with the Fed, I would like my father invited.

I leave here Wednesday, and that speech has got to be finished, and none of this nonsense business. (Laughter)

MRS. KLOTZ: Mr. Morgenthau, I don't see how you can have the luncheon at twelve.

H.M.JR: I think Mrs. Klotz is right. Let's tell them to get me - I want to be at the Fed one hour before lunch. She is right. I can get there one hour beforehand and rest an hour before lunch.

Now, I am on the air from when?

MR. GAMELE: Six-thirty to six-forty-five, CBS.

H.M.JR: Doing what?

MR. GAMBLE: The only suggestion that has ever been made, which is the one we have worked on, is the idea of you doing the round-table with these New York War Finance leaders, Burgess and four or five of his people, a discussion of what you have seen in New York that day, the progress of the campaign, and the program will end up by you making a six or seven minute statement to the nation about your impressions. You could bring in this Italian visit to tie in with your talk.

H.M.JR: I suggested this: We sent three reporters up to New York today to get local material. They will be back tomorrow. Right after Admiral King at nine o'clock, we go into a huddle - play conference.

- 12 -

MR. GAMBLE: That winds that up in nice shape.

H.M.JR: Then that is all. I don't have to go to the tent?

MR. GAMBLE: No, you do not. If you decide that day that you want to do something like that, that should be left completely open.

H.M.JR: He is one of the smartest fellows. (Laughter)

MRS. KLOTZ: I agree with you.

H.M.JR: I think it would be nice if you accompany me that day. It is a big thing up there. I would like you to share the kudos with me.

MR. GAMBLE: I really am needed here. I can go, but I really am needed here.

H.M.JR: Let's think about it. I have a tight schedule. I am going out to the Navy Hospital. Let's stop now; you can work on this.

All right, Herbert?

MR. GASTON: Yes.

MR. BELL: Yes.

H.M.JR: I am not at all certain I want to do the thing that way - for local color this is just to throw out - I would love to do the thing with a lot of refugees. That is what I would like to do - the people who have come out of Germany recently - I would like to have them sit around the table. If we are going to do it, I would want Dave Levy to run it.

MR. GAMBLE: If you decide you don't want to do the shipyard thing, you could do that the following week.

H.M.JR: Let me throw that out. If Dave Levy and his gang would help us on that--

- 13 -

MR. SMITH: Ted wants this as a strictly war bond thing. I think he is right. Why not leave this just as--

H.M.JR: I don't know if he is right or not.

MR. GAMBLE: From our organization point of view we are right. Public-relations-wise we may not be.

H.M.JR: Anyway, get the thing set. What we will do is, we will have a play conference tomorrow morning - you, George, and I, and I would like Herbert to sit in on it, and get a report from these men.

MR. GAMBLE: Ten o'clock would be better for that. Fred won't have his material until ten.

H.M.JR: All right, ten o'clock - a radio conference at ten o'clock. All right?

MR. GAMBLE: Yes, sir.

MR. BELL: A financing conference tomorrow morning?

H.M.JR: All right, eleven o'clock, Mr. Bell.

MR. GAMBLE: Ten billion two thirty-nine breaks down to thirty-three and a third of the individual quota.

H.M.JR: You mean we have over three billion?

MR. GAMBLE: No, individual quota is five, and we have over thirty-three and a third percent in that ten, two thirty-nine.

MR. BELL: That means some place between a billion six and a billion seven.

H.M.JR: That isn't very good.

MR. GAMBLE: It is pretty good for this stage.

MR. BELL: Better than two hundred million above the Friday night figure.

- 14 -

H.M.JR: You haven't the five o'clock figures?

MR. BELL: No, they are late coming in.

H.M.JR: Can you get them to me at the house tonight?
I would like to have them.

Let's stop now.

MR. GAMBLE: Maryland went over today, a hundred and three percent of the quota.

MR. BELL: We have had pretty good reports from these Federals.

H.M.JR: I would like to - could you be in the office tomorrow morning from nine o'clock on, this office? I would like to go over the situation with you and Bell, and either Tickton or Lindow. Let's put Tickton down for nine o'clock. King won't be here more than a half an hour - Gamble and Bell and Tickton and Lindow. I would like to go in the Chart Room with you.

MR. BELL: Tickton is in Chicago.

38-217

COPY

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TOWD BEAGON NY 1U

1943 SEP 20 AM 8 46

TED GAMBLE

OFFICE OF SECRETARY OF THE TREASURY WASHDC

PLEASE GIVE TO MRS KLOTZ ANY IMPORTANT TELEGRAMS WITH MY
SIGNATURE THAT WENT OUT LAST WEEK WITHOUT MY APPROVAL. REASON
FOR THIS TELEGRAM IS THAT I SAW A MESSAGE IN LOCAL PAPER SUPPOSEDLY
COMING FROM ME THAT I HAVE NO KNOWLEDGE OF

HENRY MORGENTHAU JR

SEP 20

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 20, 1943

TO: Mrs. Klotz
FROM: Mr. Gamble

At the request of the Secretary I am enclosing for you
copies of the messages sent out for his signature in the past week.

TRG

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

219

Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

NAB 1 43 GOVT COLLECT NL=TDWD BEACON NY 19

TED GAMBLE=

15 SEP 10 PM 11 43

OFFICE OF SECRETARY OF THE TREASURY WASHDC=

PLEASE GIVE TO MRS KLOTZ ANY IMPORTANT TELEGRAMS WITH MY SIGNATURE THAT WENT OUT LAST WEEK WITHOUT MY APPROVAL. REASON FOR THIS TELEGRAM IS THAT I SAW A MESSAGE IN LOCAL PAPER SUPPOSEDLY COMING FROM ME THAT I HAVE NO KNOWLEDGE OF= HENRY MORGENTHAU JR.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

STANDARD FORM NO. 14A
APPROVED BY THE PRESIDENT
MARCH 10, 1926

EXX
COPY

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

220

TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 2-14117

SEPT 17 1943

MR JOHNNY THOMPSON
RADIO STATION WTTM
35 WEST STATE ST
TRENTON NJ

ON BEHALF OF THE TREASURY DEPARTMENT I WANT TO CONGRATULATE THE B'NAI BRITH ORGANIZATION AND SPECIFICALLY THE B'NAI BRITH BODGE IN TRENTON FOR ITS SPLENDID COOPERATION WITH THE THIRD WAR LOAN DRIVE. I KNOW THAT THIS SPECIAL RADIO PROGRAM WILL HELP TO SELL MANY EXTRA WAR BONDS TO BACK THE ATTACK OF OUR FIGHTING MEN OVER THERE

HENRY MORGENTHAU JR
SECRETARY OF THE TREASURY

AM

COPY

TREASURY DEPARTMENT
WASHINGTON

221

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

9-14117

EUGENE Q GRACE
PRESIDENT
BETHLEHEM STEEL CORP
25 BROADWAY
NEWYORK NY

SEPT 17 1943

THE TREASURY DEPARTMENT ASKS YOUR FULL COOPERATION AND SUPPORT IN THE THIRD WAR LOAN DRIVE. WILL YOU IMMEDIATELY INSTRUCT MANAGERS OF ALL PLANTS OF BETHLEHEM STEEL CORPORATION TO CONTACT LOCAL COUNTY CHAIRMEN OF WAR FINANCE COMMITTEE AND ARRANGE WAR BOND RALLIES IN ALL PLANTS AND ON COMPANY TIME TO COVER ALL SHIFTS. WE NEED THE SUPPORT OF EVERY AMERICAN IN THIS EMERGENCY. RALLIES AT THE PLACE OF EMPLOYMENT ARE THE MOST EFFECTIVE MEANS OF BRINGING THE MESSAGE TO THE WORKERS IN WAR INDUSTRIES, PLEASE ADVISE ME IMMEDIATELY SO I CAN ADVISE COUNTY CHAIRMEN

HENRY MORGENTHAU JR
SECRETARY OF THE TREASURY

MA

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

ALLEN T. ARCHER
PRESIDENT, TOWN HALL
1321 BILTMORE HOTEL
LOS ANGELES, CALIFORNIA

I APPRECIATE YOUR THOUGHTFUL INVITATION TO APPEAR AT A LUNCHEON MEETING AT
TOWN HALL. HOWEVER, I REGRET THAT I CANNOT AVAIL MYSELF OF IT, AS I NOW
FIND THAT I WILL BE UNABLE TO COME TO LOS ANGELES DURING THE DRIVE.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

FROM TED R. GAMBLE

BUREAU WAR FINANCE DIVISION

CHG. APPROPRIATION EXPENSES OF LOANS

TRG:ecb SEPTEMBER 17, 1943.

EXPENSES OF LOANS
WAR FINANCE DIVISION

PLEASE SEND AS STRAIGHT WIRE TO
NAMES ON ATTACHED LIST:

SEPTEMBER 15, 1943

I HEREBY OFFER YOU APPOINTMENT AS A MEMBER OF THE STATE ADVISORY
COMMITTEE FOR THE WASHINGTON WAR FINANCE COMMITTEE. I BELIEVE
YOUR ASSISTANCE WILL BE MOST HELPFUL IN MAKING OUR WAR FINANCING
IN YOUR AREA EFFECTIVE. WILL YOU PLEASE SIGNIFY YOUR ACCEPTANCE
TO MR. JOEL E. FERRIS, 901 FEDERAL OFFICE BUILDING, SEATTLE.

HENRY MORTENTHAU, JR.
SECRETARY OF THE TREASURY

TREASURY DEPARTMENT
WAR FINANCE DIVISION
EXPENSES OF LOANS

SEPTEMBER 14, 1943.

JOHN A LOGAN
NATIONAL ASSOCIATION OF FOOD CHAINS
DRAKE HOTEL
CHICAGO, ILLINOIS

ON THE OCCASION OF THE TENTH ANNUAL MEETING OF NATIONAL ASSOCIATION OF FOOD CHAINS I WISH TO CONGRATULATE THESE CHAIN FOOD STORE COMPANIES UPON THEIR RECORD OF COOPERATION AND ACHIEVEMENT IN THE SALE OF WAR BONDS AND STAMPS. I AM FAMILIAR WITH THE PLANS WHICH THE FOOD CHAIN COMPANIES HAVE MADE TO PARTICIPATE IN THE THIRD WAR LOAN DRIVE AND I KNOW THAT THESE EFFORTS CAN BE PRODUCTIVE OF MILLIONS OF DOLLARS OF EXTRA SALES OF WAR BONDS AND STAMPS TO THE TWENTY MILLION CUSTOMERS OF CHAIN FOOD STORES. I ALSO WANT TO THANK YOU AND THE MEMBERS OF YOUR STAFF FOR EXCELLENT COOPERATION AND EFFECTIVE COORDINATION IN PROVIDING YOUR ASSOCIATION MEMBERS WITH INFORMATION AND ASSISTANCE REGARDING WAR BOND PROGRAMS. SUCH INTELLIGENT AND UNSKLFISH COOPERATION BY PATRIOTIC CITIZENS AND THEIR ORGANIZATIONS IS NEEDED TO INSURE THE SUCCESS OF OUR WAR FINANCING EFFORTS.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

"INITIALED - 'T.R.G.' and 'HMJR'"

TREASURY DEPARTMENT
WAR FINANCE DIVISION
EXPENSES OF LOANS
SEPTEMBER 13, 1943.

DAY LETTER

JULIUS EMSPAK
GENERAL SECRETARY
UNITED ELECTRICAL, RADIO AND MACHINE WORKERS UNION
HOTEL NEW YORKER
NEW YORK, NEW YORK.

PLEASE ACCEPT AND EXTEND TO YOUR MEMBERS IN CONVENTION ASSEMBLED THE SINCERE THANKS OF THE TREASURY DEPARTMENT FOR YOUR AID IN THE WAR FINANCE PROGRAM. OUR PAY ROLL SAVINGS RECORDS IN THE ELECTRICAL AND RADIO INDUSTRY ARE CONVINCING EVIDENCE OF THE PATRIOTIC WAY IN WHICH YOUR MEMBERS ARE BUYING WAR BONDS UNDER THE SPONSORSHIP OF YOUR UNION AND ITS LEADERS. WE ASK YOUR INTENSIFIED SUPPORT FOR THE CRUCIALLY IMPORTANT THIRD WAR LOAN DRIVE NOW UNDER WAY. WE MUST BACK THE ATTACK WITH WAR BONDS IF OUR HOME FRONT IS TO HELP OUR FIGHTING MEN DO THE BEST POSSIBLE JOB IN THE INVASION OF EUROPE AND JAPAN. PLEASE ASK ALL YOUR MEMBERS TO BUY AT LEAST ONE EXTRA WAR BOND DURING SEPTEMBER.

HENRY MORGENTHAU JR.
SECRETARY OF THE TREASURY.

TREASURY DEPARTMENT
WAR FINANCE DIVISION
EXPENSES OF LOANS
SEPTEMBER 13, 1943.

DAY LETTER

RETD ROBINSON, ESQ.,
PRESIDENT,
INT'L. UNION OF MINE, MILL & SHELTER WORKERS, C.I.O.,
BUTTE, MONTANA.

PLEASE ACCEPT AND EXTEND TO YOUR MEMBERS THE SINCERE THANKS OF THE
TREASURY DEPARTMENT FOR YOUR AID IN THE WAR FINANCE PROGRAM. WE NEED
YOUR CONTINUED HELP BOTH BY ADDED AND INCREASED ALLOTMENTS FOR WAR BOND
PURCHASE THROUGH THE PAYROLL SAVINGS PLAN AND ALSO BY THE PURCHASE OF
ADDITIONAL BONDS DURING THE THIRD WAR LOAN DRIVE IN SEPTEMBER. IT IS
CRUCIALLY IMPORTANT FOR THE FUTURE OF A FREE LABOR MOVEMENT THAT WE
SHOULD WIN THIS WAR. THE HOME FRONT MUST SUPPORT OUR FIGHTING MEN BY
GIVING THEM THE BEST POSSIBLE WEAPONS AND EQUIPMENT. THE MOST EFFECTIVE
WAY IN WHICH MOST OF US CAN DO THAT IS BY BACKING THE ATTACK WITH WAR
BONDS. PLEASE URGE EACH OF YOUR MEMBERS TO BUY AT LEAST ONE EXTRA BOND
DURING SEPTEMBER.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY.

FORM 1613 A
TREASURY DEPT.

U. S. COAST GUARD

227

9/20

HEADING

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SECYTREAS OFFICE

SEC/TREAS

TEXT

KNOWING HOW BORED YOU GET ON AIRPLANES ESPECIALLY WHEN I
AM NOT THERE WOULD LIKE TO MAKE A SUGGESTION WHICH
WILL THROW EVERYTHING INTO A TAILSPIN X QUERY COLON WOULD
IT BE WISER THIS WEEK TO GO TO A STRICTLY
FARM COMMUNITY IN A FARM STATE AND APPEAL TO FARMERS (50)
RATHER THAN GO TO NEWYORK WHICH CAN BE DONE AS
WELL NEXT WEEK QUESTION UNDERSTAND WHEAT SEASON JUST FINISHED
COTTON ~~SEASON~~ SEASON JUST BEGINNING SO THERE MUST BE MONEY X IF
YOU WAIT UNTIL NEXT WEEK IT WILL BE PHYSICALLY IMPOSSIBLE
TO CARRY THE WORD TO FARMERS EVERYWHERE BEFORE THE END (100)

2

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

3

U. S. COAST GUARD

228

FORM 1218-A
TREASURY DEPT.

HEADING

CG16 PAGE TWO

TEXT

OF THE DRIVE X FARMERS ARE LAGGING BEHIND IN BOND
 SALES AND YOU HAVE NOT MADE DIRECT APPEAL TO THEM
 X LICKERT TELLS ME THEIR INCOMES ARE WAY UP X
 YOU COULD PROBABLY TAKE OVER NBCS FARM AND HOME HOUR
 SATURDAY NOON AS WELL AS A RADIO NETWORK SATURDAY EVENING (150)
 IF TIME IS AVAILABLE X SCENE OF OPERATION COULD BE
 EITHER SOUTH OR WEST OF MISSISSIPPI OKLAHOMA CITY BEING HIGHLY
 RECOMMENDED BY SECRETARY WHO USED TO WORK FOR CHAMBER
 OF COMMERCE X LICKERT SUGGESTS WESTERN END OF CORNBELT WHERE
 CROPS WILL BE BEST IN YEARS X I CAN GET (200)
 EXCITED ABOUT THIS BECAUSE IT GIVES US A WHOLE NEW
 APPROACH X BESIDES THERE IS PLENTY OF OXYGEN DOWN HERE
 X FRED SMITH BT 201855
 TOD 1857 SN 20 SEPT 43 END

2

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

3

FORM 1012
TREASURY DEPT.

U. S. COAST GUARD

229

HEADING RW52/54AY P T A 02U 201909 QUAT W QUAK GR42

SECTREAS

OFFICE SECTREAS

COMDT CG

TEXT

FRED SMITH OFFICER OF SEC X I AM NEVER BORED
WHEN I SLEEP X AS A MATTER OF FACT I
ALSO THOUGHT OF FARMERS APPLES TO YOU HOLD EVERYTHING FOR
AN HOUR AND WHEN OUR TWO GREAT MINDS WILL SPARK
AS ONE BT 201909

3

TOD 1917 20 SEPT 1943 VB

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

\$

September 20, 1943.

Dear Mr. Golden:

I was delighted to learn of the manner in which Miss Weston and her colleagues of the cast of "Three's a Family" bettered your request that they help out in the Third War Loan drive. I wish you would express my personal appreciation to them and of course my warmest thanks go to you for asking their help and approving the turn it took, as well as for passing on the suggestion to the other producers.

It is a little early for congratulations on the result of the drive but it is encouraging to receive them from you. We must make the campaign a success and we are grateful for all the fine cooperation we are getting.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John Golden
Saint James Theatre
246 West 44th Street
New York 18, N. Y.

NS

In the Secretary's Signature
date Sept 20

231

Dear Mr. Golden:

I was delighted to learn of the manner in which Miss Weston and her colleagues of the cast of "Three's a Family" bettered your request that they help out in the Third War Loan drive. I wish you would express my personal appreciation to them and of course my warmest thanks go to you for asking their help and approving the turn it took, as well as for passing on the suggestion to the other producers.

It is a little early for congratulations ~~in~~ in the result of the drive but it is encouraging to receive them from you. We must make ~~it~~ ^{the campaign} a success and we are grateful for all the fine cooperation we are getting. Sincerely, W. M. K.

232

Offices of
JOHN GOLDEN, Inc.

SAINT JAMES THEATRE
246 WEST 44TH STREET
BRyant 9-6994
NEW YORK 18, N. Y.

September 13, 1943

Hon. Henry Morgenthau
Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

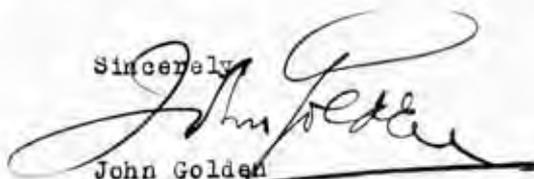
First, of course, I'd like to congratulate you on the magnificent job and the effective results of the bond drive.

Also, I think you will be interested to know of a clever and most interesting stunt that Ruth Weston, one of my actresses, wrote into my show, "3 Is A Family." I had asked Miss Weston and the other members of the cast to step out between the acts, each on a succeeding night, and make an appeal to buy bonds. They got together, however, and went that idea by putting some bond drive speeches not between the acts, but actually into the play.

In other words, during the performance of "3 Is A Family," one of the characters talks about needing money and thinking of selling a bond she has. To which Miss Weston replies -- "No, this is not the time to sell, it's the time to Buy Bonds!" Then she turns to the audience and appeals to them directly, just as Maude Adams used to step down to the footlights in "Peter Pan" and ask "Do you believe in fairies?" -- and says, "Don't you think we must help our boys and win this War sooner, all of you, everywhere?" And our audiences, by their applause, seem to like this idea of the actress stepping completely out of the play and talking directly to them.

The idea is so good, I wish I had thought of it myself. At any rate, I am pleased, as I know you will be, that they are doing it in a show of mine.

Sincerely,



John Golden

P.S. Incidentally, I have sent word about this to other play producers around the town, suggesting that they try something similar in their productions.



JOHN GOLDEN THEATRE : 252 WEST 45TH STREET : NEW YORK CITY Cable Address: JOGOLD

THE RIGHT * LIGHTNING * I WISE FOOLS * THE FIRST YEAR * DEAR ME * THANK U * EDITH CORNER
SEVENTH HEAVEN * WAGES FOR WIVES * PIGS * THE WISDOM TOOTH * TWO GIRLS WANTED
LET US BE GAY * SALT WATER * THAT'S GRATITUDE * AS HUSBANDS GO * AFTER TOMORROW
THEY LADIES MEET * DIVINE DRUDGE * THE BISHOP'S MARRIAGES * A TOUCH OF SUMMERTIME
BLANK * CLAUDIA * "THEATRE" * COUNSELLOR-AT-LAW * THREE A FAMILY, Etc.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

September 20, 1943

TO Secretary Morgenthau
FROM Randolph Paul

You may be interested in the remarks made by Congressman Disney relating to the Treasury's statement on renegotiation, which I quote below:

"Mr. Disney. Did you hear Mr. Randolph Paul's testimony of the Treasury Department? He made a statement before the committee last week. Did you hear or read that testimony?"

"Mr. Schneider. No; I was not here.

"Mr. Disney. That relates to the subject that has been discussed here some before the committee of renegotiation after taxes. I wish you would do me the favor of reading that statement, which seems to be a complete one and showed a lot of thought, and give the clerk of the committee the benefit of your views on that subject after having read Mr. Paul's statement.

"Mr. Schneider. I shall be glad to do that. I read the statements made by the other government officials in the hearing before the House Naval Affairs Committee, and I am not impressed with any reasons they gave.

"Mr. Disney. Mr. Paul made a clear study of it.

"Mr. Schneider. If he made a better statement than was made by the others, I will be glad to read it."



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Sept. 20, 1943

TO Secretary Morgenthau
FROM Mr. Haas *HA*
Subject: The Business Situation,
Week ending September 18, 1943

Summary

Prices: Commodity prices firmed last week, when optimism over an early peace was dampened by the hard fighting in Italy. Stock prices made further recovery on increased trading volume, with railroad stocks gaining 3½ percent for the week. Industrial stocks on the London exchange, however, were slightly lower.

Farm products: The reconvening of Congress again brings to the foreground the problems of farm prices and food production. Average prices of farm products in August reached the highest level since September 1920, and in the four years since the war began they have increased 119 percent as compared with 91 percent in the comparable period of the first World War. Farm prices in August averaged 17 percent above parity.

Subsidies: Congress is apparently still opposed to subsidies for holding down living costs, as indicated by unfavorable reaction of the Senate Banking and Currency Committee to Administrator Jones' proposals for subsidizing milk prices.

OPA rollback program: Details released by OPA on the proposed program for reducing living costs to the September 1942 level do not appear to bear out OPA expectations that this can be accomplished with an expenditure of only \$100 millions.

FRB index: A revision of the FRB industrial production index, necessitated by the expansion of manufacturing activity under the war program, shows current total production one-fifth higher than indicated by the former index. (Confidential data).

- - - - -

Stock prices moderately higher

In a week marked by the reconvening of Congress, and by a temporary setback to the American invasion forces in Italy, stock prices on the New York Exchange have extended their gains on somewhat heavier trading volume. (See Chart 1.)

The advance in stock prices was most noticeable at the end of the week, when the war news had turned more favorable, and included all major groups, with no apparent distinction between "war" stocks and "peace" stocks. Railroad issues were particularly strong, gaining $3\frac{1}{2}$ percent for the week according to Dow-Jones averages, while the gains in industrial and utility stocks were about half that amount. All three groups reached the highest levels since the end of July. In the London market, on the other hand, industrial stocks declined slightly during the week.

Congress brings back farm price problems

With Congress again in session, the problems of food production and the handling of farm prices again becomes an active subject. While total food production in 1943 is estimated at 5 percent above the record levels of 1942, civilian per capita food consumption will be reduced about 4 percent below that of last year due to the increased demands for the armed forces and lend-lease, although it will still be above the 1935-39 average. The management of farm prices in such a way as to maintain food production with the minimum inflationary influence remains a critical problem.

In retrospect, farm prices have risen almost continuously during the past three years, with the index of prices received by farmers reaching in August the highest point since September 1920. (See Chart 2, upper section.) Farm prices, in fact, have shown a greater rise during this war to date than during the comparable period of World War I. From August 1939 to August 1943, for example, the index of prices received by farmers rose 119 percent, as compared with a rise of 91 percent from July 1914 to July 1918 in the first World War.

The index of prices paid by farmers has shown a less rapid rise than the index of prices received by farmers. Consequently, since July 1942, farm prices have averaged higher than parity. (See Chart 2, lower section.) Not only did farm prices as a whole average 17 percent above parity last month (August), but prices were above parity in that month for all groups of farm products except grains.

- 3 -

Grain prices show sharp rise during year

Although farm prices of grains as a group are still below parity, they have risen more sharply during the past year than any other group of farm products except fruit. (See Chart 3.) Prices received by farmers for barley and wheat advanced 64 and 33 percent, respectively, in the year ended August. The 31 percent increase in corn prices shown for the period would undoubtedly have been much larger if it had not been for the imposition of a price ceiling in January.

The huge feed requirements of our record livestock population and the heavy demands of industrial alcohol producers have been important factors in the rise in grain prices. In the fiscal year 1943, the CCC sold 275 million bushels of wheat for feed purposes, most of this during the last half of the year. The CCC is continuing to sell wheat for feed, having disposed of 38 million bushels in July and August, and its stocks are now down to approximately 127 million bushels. Because most grain prices have been below parity, it has been impossible to impose effective price ceilings on any except corn.

Farm prices of milk and butterfat have increased 24 and 22 percent, respectively, during the past year, but large increases in feed and labor costs have been an offsetting factor from a production standpoint.

Other commodities for which farm prices have increased substantially over the past year are: potatoes, 40 percent; flaxseed, 24 percent, and eggs, 20 percent. The price of wool, of which the total output is purchased by the CCC, and the price of cottonseed, have shown more moderate increases. Large stocks have tended to retard an advance in cotton prices, which rose only 10 percent during the year.

In contrast to the sharp advances in the prices received by farmers for most products, prices received for hogs in August were 3 percent below those of last year, and farm prices of beef cattle were only 11 percent higher. The decline in hog prices and the moderate rise in beef cattle prices have been due largely to price ceilings and to rationing of meat. Heavy marketings of hogs have also tended to lower prices.

Commodity prices firm

The strong opposition which our armies are encountering in Italy, and the President's declaration that a long, hard fight is still ahead, had a somewhat bullish effect on the commodity markets last week, and the BIS index of 25 basic commodities rose slightly to a new high. (See Chart 4.) At 178.2 percent of the August 1939 average, the index is 1.1 percent

higher than in early April 1943, when the President's hold-the-line order was issued. While this is not a large increase in itself, the almost continuous gradual rise in the index since mid-July is not encouraging. Most of the rise in the index during the past two months has been due to advancing prices for grains and meat animals.

Last week wheat prices rose $1\frac{1}{2}$ cents per bushel and barley prices $3\frac{1}{2}$ cents. Cotton prices rose fractionally, but prices of hogs were slightly lower.

The ELS all-commodity index continues its sidewise movement of the past two months, holding unchanged in the week ended September 11 at 102.8 percent of the 1926 average. The index is now 3.6 percent above the corresponding week of last year and is 37.1 percent above the pre-war level of August 1939.

Rising wheat prices squeeze millers

With wheat prices having risen over 5 percent since mid-July, flour millers are being squeezed between the higher wheat prices and the fixed flour price ceilings set last December by the OPA, it is reported in the press. Because of the squeeze, business of mills in some sections is reported at a standstill, with many millers doing business at a price sacrifice.

Although the use of a flour subsidy to relieve this squeeze has been studied by the OPA, it is possible that nothing will be done until the situation becomes more critical. However, when Government parity payments to wheat growers cease at the end of the 1943 crop, some definite action will be necessary, since the legal basis for the present flour price ceilings, fixed at 89 percent of parity (including benefit payments), will have been removed.

Hog price ceiling imposed

A price ceiling on live hogs at \$14.75 per hundredweight, Chicago basis, was announced by the OPA recently to become effective October 4. Since present prices of hogs are above this level, the price ceiling should tend to reduce prices. However, it will do little to narrow the wide margin between corn prices and hog prices, which has made it more profitable to feed corn to hogs than to sell it in the market. While it has resulted in a great increase in the production of pork and lard, the favorable corn-hog ratio has been a fundamental factor causing the tight feed situation in some dairy regions, which is threatening a decline in milk production. Likewise, it has been chiefly responsible for the shortage of corn for industrial uses.

- 5 -

The WFA announced recently a reduction in the Government support price for hogs of \$1.25 per hundredweight, effective October 1, 1944. Certain heavier weights are dropped from the support price schedule and lighter weights added, with the intention of discouraging feeding hogs to heavy weights. While the lower support price may serve as a warning to farmers against further increasing hog production, it will have little immediate influence since it does not become effective for more than a year.

Congress opposes milk subsidies

Indications appeared last week that Congress is still opposed to the use of subsidies for holding down living costs. A suggestion by Food Administrator Jones that subsidies be used to bolster milk production met Congressional opposition when presented before the Senate Banking and Currency Committee. Although no formal vote was taken, Senators Bankhead and Ball indicated that the majority opinion of the Committee was favorable to an increase in retail milk prices in preference to the use of subsidies.

Milk production, Mr. Jones said, will decline considerably unless steps are taken to give dairy farmers a better price for fluid milk, particularly during the winter months. Although milk production usually drops during the last half of the year, a greater than seasonal decline is now expected by the Bureau of Agricultural Economics. Moreover, under present conditions milk production in 1944 may be reduced to only 115 billion pounds, as compared with an expected 118 billion in 1943 and 119 in 1942. The threatened decrease is due not only to an unfavorable cost-price relationship but also to a failure of feed to move in sufficient quantities to feed-deficit dairy regions.

The several alternative subsidy suggestions to bolster milk production which Mr. Jones submitted to the Committee were: (1) a straight subsidy to producers, probably averaging 1 cent a quart, which would cost about \$50 millions for the last three months of this year; (2) an area subsidy, in which the Government would allow a rise in retail ceilings in the low-price areas, and would pay a subsidy to producers to hold prices stable in the high-price areas; (3) a feed-cost subsidy, which would compensate producers for increased feed costs since September 1942, and would cost about \$28 millions for the final quarter of this year.

- 6 -

Details of program to cut food prices released by OPA

More details of the recently reported program to reduce living costs were given last week by the OPA General Manager, Chester Bowles. The program, which is in the final stages of preparation, is intended to reduce the BLS cost-of-living index to approximately the levels of September 15, 1942 or a 4.6 percent reduction from present levels. It will cost about \$100 millions annually, according to the OPA, and the money to finance it is available in funds of the Commodity Credit Corporation and the Reconstruction Finance Corporation. The plan contemplates some transportation subsidies, some purchase-and-resale operations, and some straight rollback subsidies.

The program would effect the following reductions in average retail prices: apples would be reduced from between 10 and 12 cents a pound to 9 cents a pound, onions from 8 to 6 cents, oranges from 10.2 to 9.7 cents, potatoes from 4 to 3.5 cents, peanut butter from 33.3 to 26.5 cents, lard from 18.9 to 17.9 cents, and shortening other than lard would be reduced about 1 cent a pound. It was indicated that this portion of the program would lower the cost-of-living index 2.3 percent. (Our calculations indicate that such reductions would lower the index only 0.8 percent.) Stricter compliance with price regulations are expected by the OPA to produce another 1 percent reduction. The remaining 1.3 percent reduction necessary to bring the index down to last September's figure, according to the OPA, will result from regulations to be issued on fresh fruits and vegetables.

It seems doubtful that the program will achieve the results expected with an expenditure of only \$100 millions. Mr. Bowles intimated that more subsidies may be necessary in order to hold prices at the September 1942 level once the initial reduction has been achieved. However, "It will be the policy of the OPA to hold all its subsidy recommendations to an absolute minimum," and they are to be used only when there is no other way to prevent a rise in retail prices.

New FRB production index

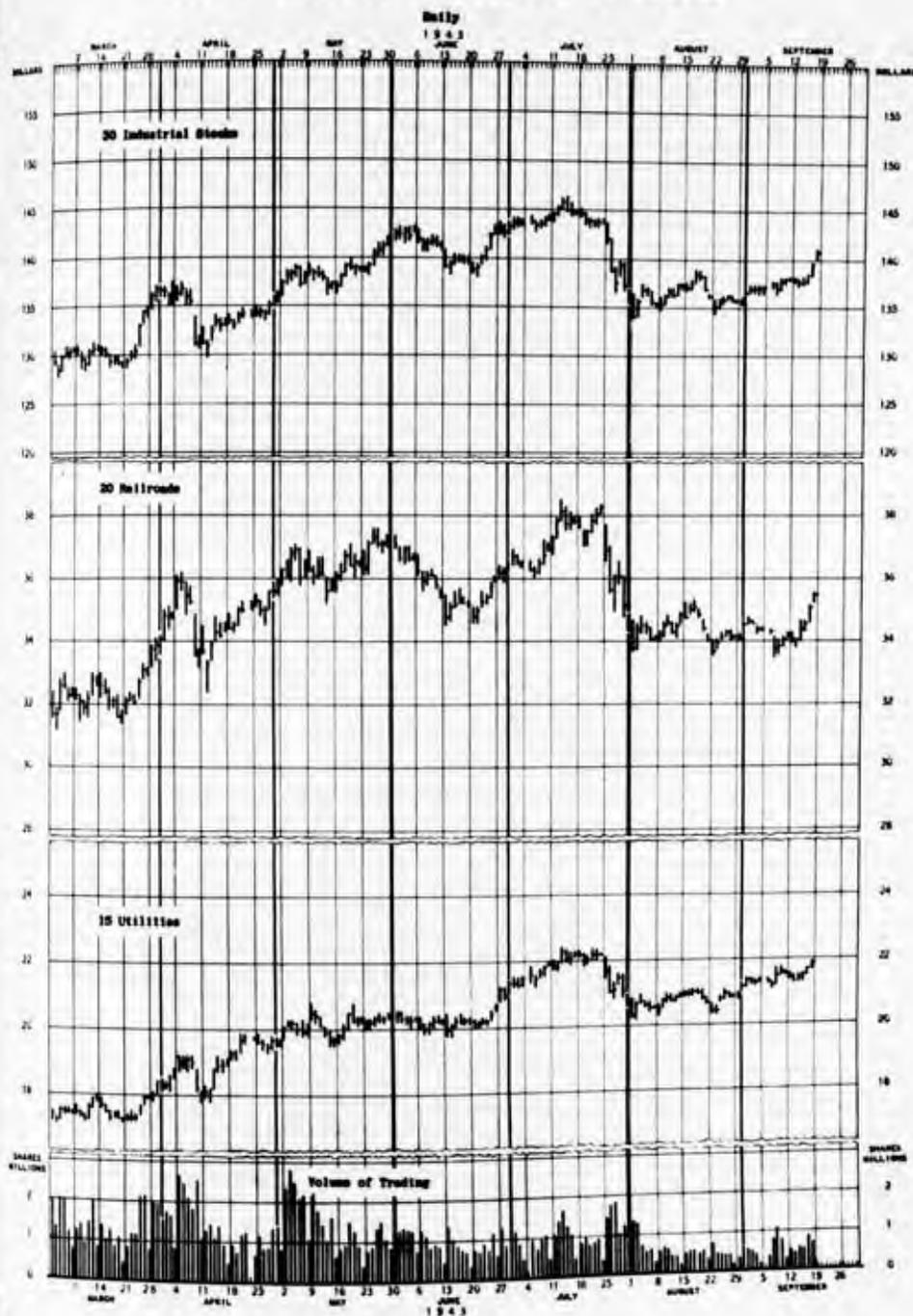
The broad expansion in the war production program, with its far-reaching effects on manufacturing activity, has necessitated a general revision of the Federal Reserve Board index of industrial production. The revised index, now available on a confidential basis, shows a current level of production about one-fifth higher than that indicated by the old index. (See Chart 5.)

- 7 -

The July preliminary FRB index of 243 (1935-39 = 100), on the new basis, compares with an index of 203 (revised) for that month on the old basis. More recent data, however, indicate that production in July was not as high as preliminary figures had indicated, according to confidential information from the Federal Reserve Board, and the index may be revised downward to 241 or 242, about equal to the previous peak of 241 in May. The August figure is currently expected to be around the 242 level.

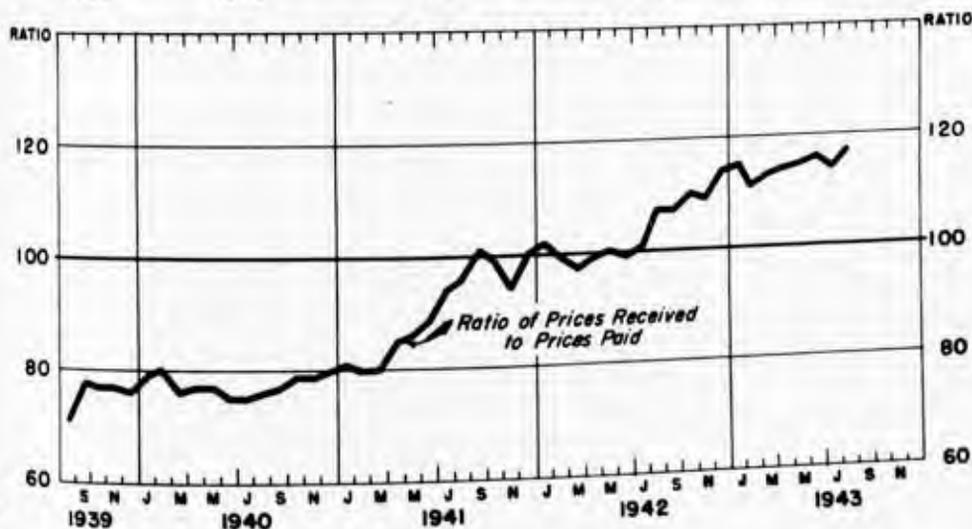
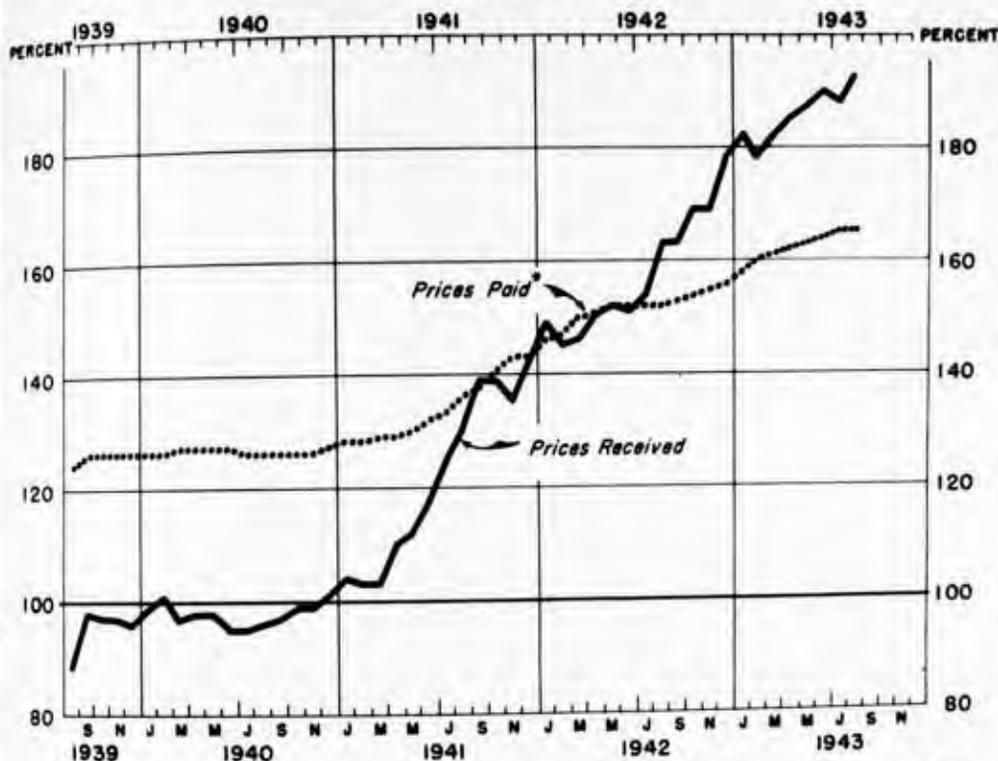
The Board has added 20 new series to the production index to make it more inclusive, and has substantially revised others. Greatest increases over the old basis are shown, respectively, by chemical products, transportation equipment, and machinery. The present revision makes the FRB index more consistent with economic data of other Government agencies covering such factors as employment, payrolls, and national income.

STOCK PRICES, DOW-JONES AVERAGES



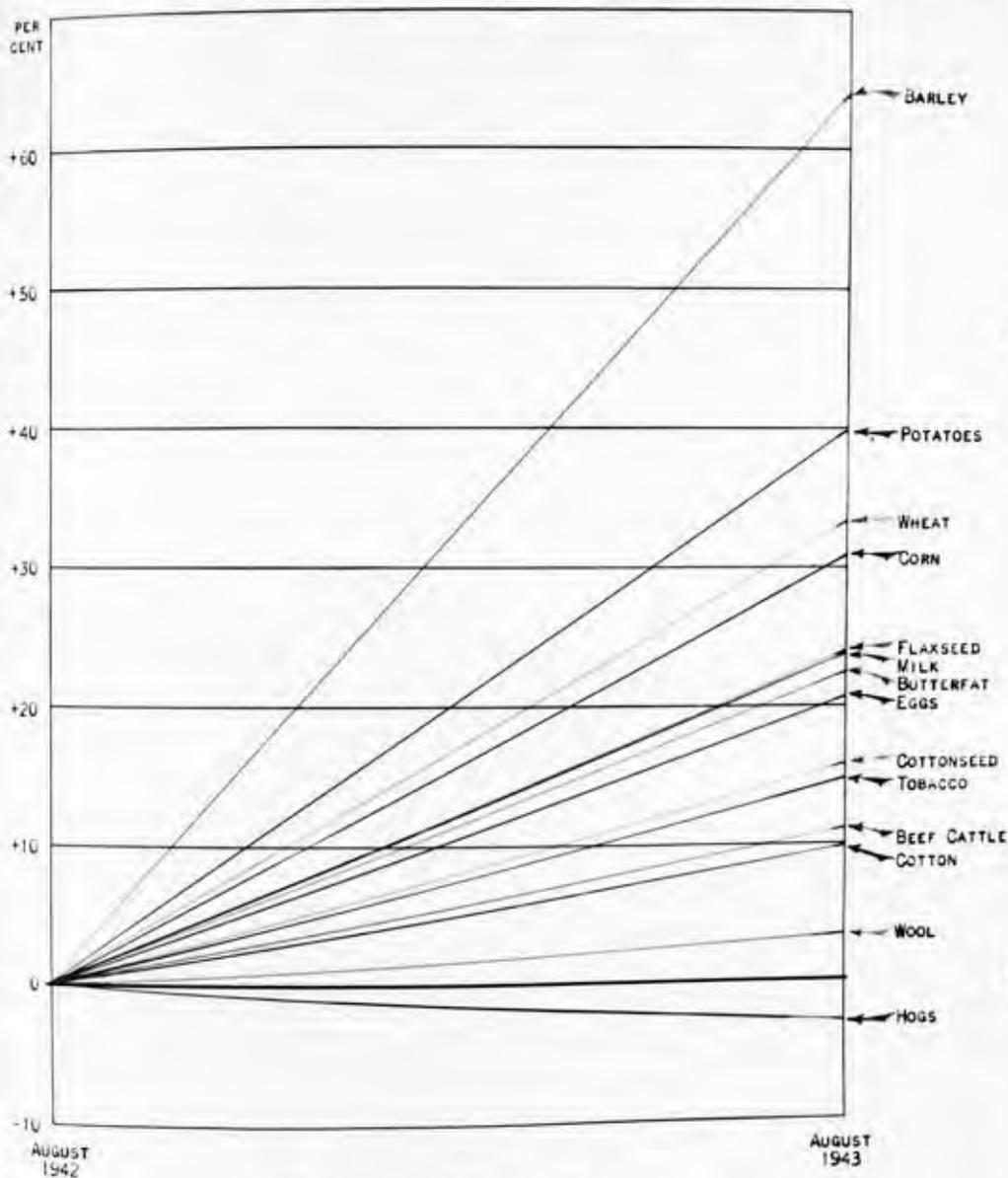
PRICES RECEIVED AND PAID BY FARMERS*

1909-'14=100



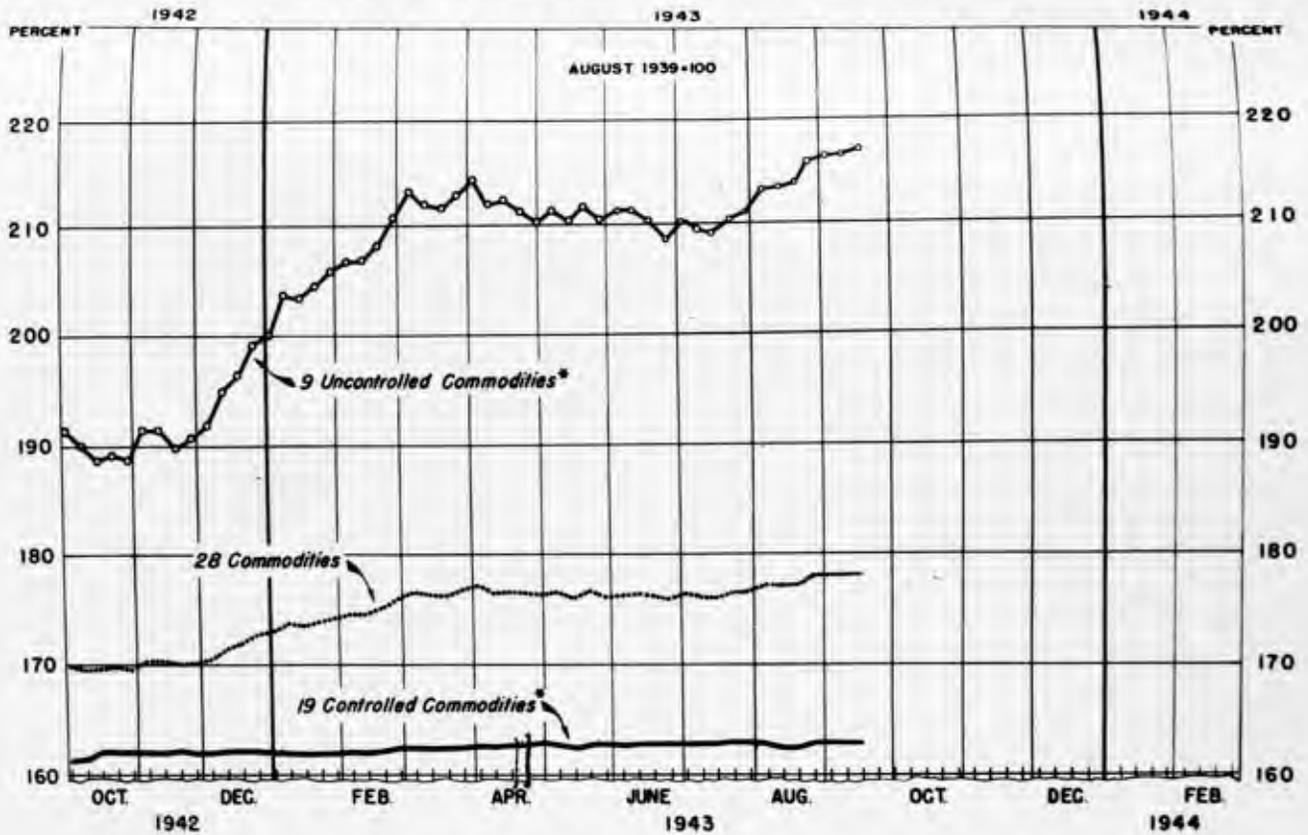
* Prices Paid, including interest and taxes

PRICES OF SELECTED FARM PRODUCTS
 Percentage Change in Prices Received by Farmers, August 1942 to August 1943

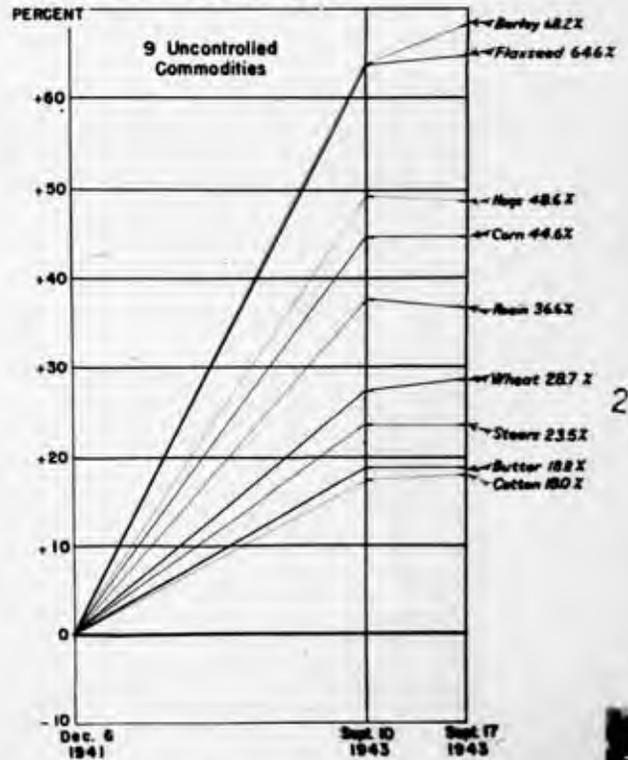
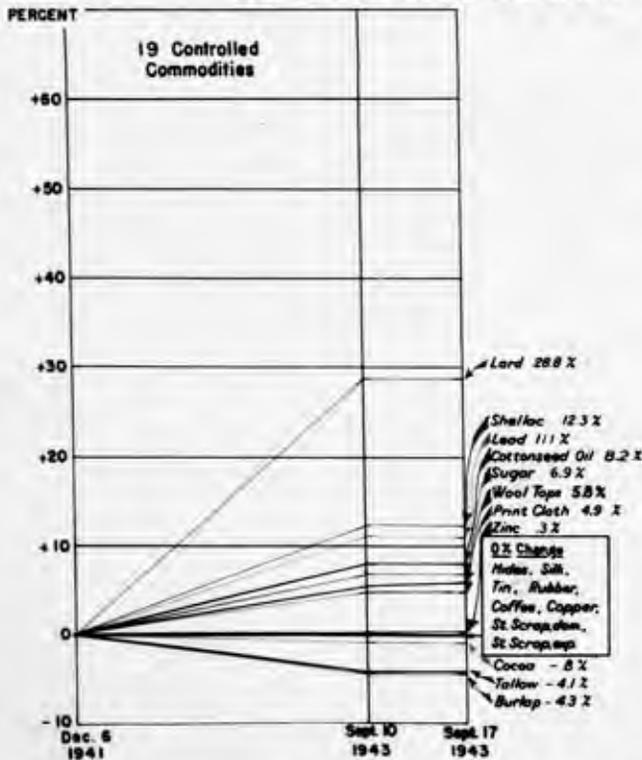


SOURCE: AGRICULTURE DEPARTMENT

MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO SEPT. 10, AND SEPT. 17, 1943

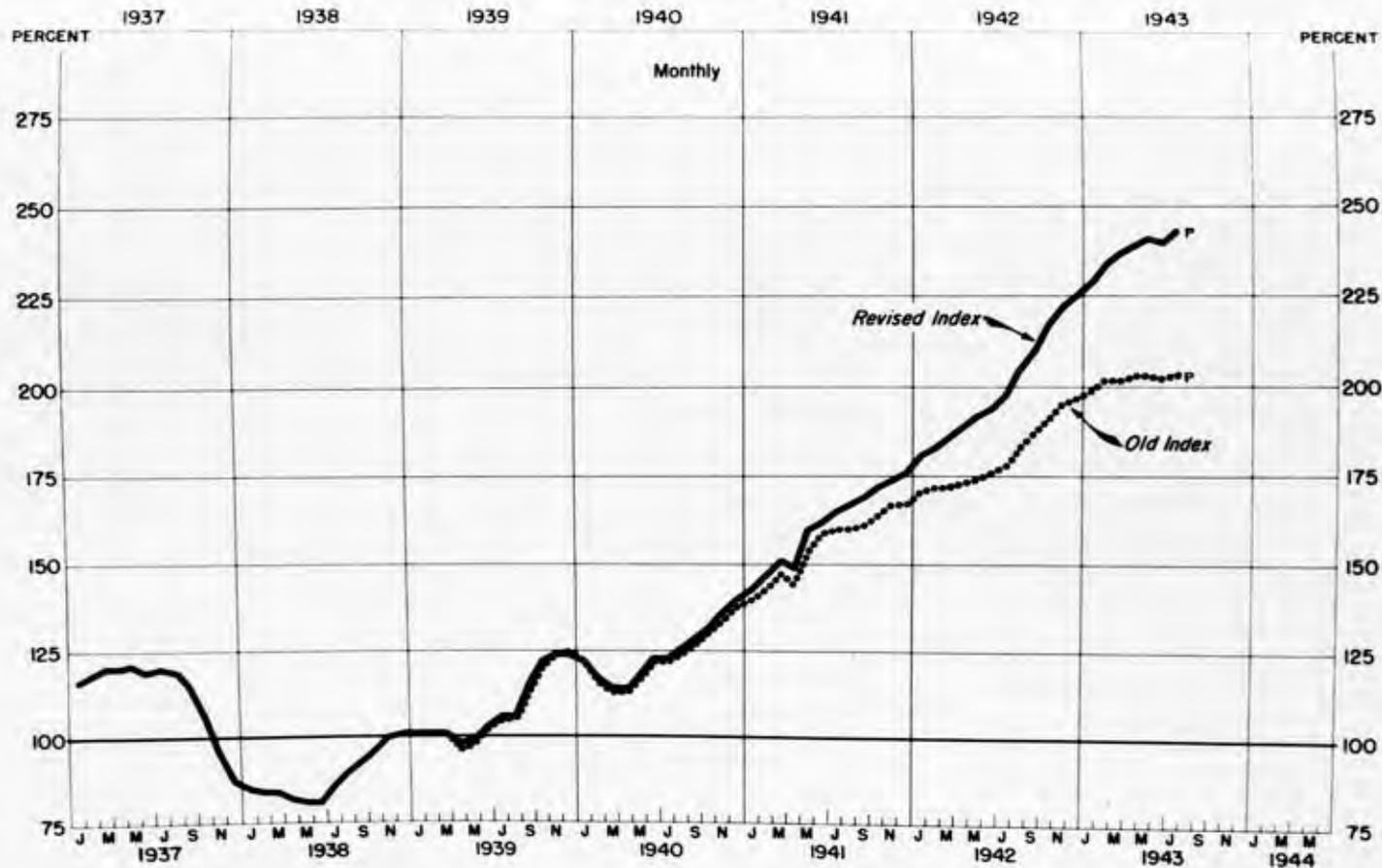


244

* 20 Controlled & Uncontrolled previous to June 26, 1942

F.R.B. INDEX OF INDUSTRIAL PRODUCTION, REVISED

1935-'39=100, Seasonally Adjusted



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

Chart 5
 CONFIDENTIAL
 245
 Regraded Unclassified

DEPARTMENT OF STATE
WASHINGTON

repl. refer to

Dear Henry:

With reference to your letter of September 8, 1943, regarding possible proposals to levy excise taxes on coffee, tea and cocoa and to increase the existing excise tax on sugar, I am enclosing a copy of an informal memorandum describing briefly provisions in our trade agreements which would have a bearing on proposals to impose excise taxes on these products. This memorandum was recently prepared at the request of Mr. Colin F. Stam, Chief of Staff, Joint Committee on Internal Revenue Taxation.

The situation which the enclosed memorandum endeavors to bring out may be briefly restated. Since sugar is produced domestically as well as imported, an increase in the existing excise tax applying equally to both domestic and foreign sugar would not disturb the competitive relationship between the two. A nondiscriminatory increase in the tax on sugar, therefore, would not conflict with either the letter or spirit of the trade agreements in which this Government has granted a duty concession on that product. With regard to coffee, cocoa and tea, however, the situation is different. Since the supply of these products is almost wholly imported, the application to them of an excise tax would be no different in its economic effects from a customs duty. For this reason, the imposition of excise taxes on these products would ordinarily be regarded as inconsistent with the spirit, if not the letter, of the trade agreements in which this Government has guaranteed their duty-free entry. As pointed out in the memorandum, an excise tax on coffee would directly contravene the letter of the trade agreements with Brazil and Colombia. However, it has been the policy of the Department to take the position that nothing in any trade agreement shall be construed

to

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

to prevent the adoption of measures imposed for the protection of the country's essential interests in time of war or other national emergency. Other countries follow the same policy.

It is understood from your letter that any excise tax proposals with regard to coffee, cocoa and tea would originate in Congress. If the appropriate committees of the Congress should give serious consideration to the imposition of excise taxes on coffee, cocoa and tea as temporary measures deemed essential to the war financing program, the Department would take up the matter with the foreign governments concerned in accordance with the policy stated above.

Sincerely yours,

A handwritten signature in cursive script, reading "Cordell Hull". The signature is written in dark ink on a light-colored background.

Enclosure:
Memorandum

August 11, 1945

Proposed Excise Taxes on Coffee, Cocoa,
Tea and Sugar

In the event serious consideration should be given, in connection with current studies in regard to a new tax bill, to any proposal to impose excise taxes on coffee, cocoa, tea or sugar, the Committee on Ways and Means would undoubtedly give due consideration to the bearing of such a proposal on the foreign commercial relations and international obligations of the United States. The following information concerning these commodities may therefore be useful for reference purposes.

The continued duty-free entry of coffee into the United States is provided for in trade agreements between the United States and eleven other American Republics, namely, Brazil, Colombia, Venezuela, Ecuador, El Salvador, Costa Rica, Honduras, Guatemala, Haiti, Peru and Mexico.

The continued duty-free entry of cocoa beans is provided for in trade agreements with seven American republics (the same countries mentioned in the previous paragraph, except Colombia, Guatemala, Peru and Mexico), and also in the trade agreement with the United Kingdom.

The continued duty-free entry of tea is provided for in the trade agreement with the United Kingdom.

In the trade agreements with Brazil and Colombia, reciprocal commitments have also been undertaken by the United States and the two countries mentioned not to impose any new or increased federal internal taxes on the articles on which duty concessions were granted, including in the case of the agreement with Colombia, coffee, and in the case of Brazil, both coffee and cocoa beans. The other trade agreements mentioned above do not contain a specific provision of this kind. However, since all or almost all of the coffee, cocoa beans and tea consumed in the United States is imported, an "excise" tax on any of these commodities would be, in effect, equivalent to a customs duty. For this reason, the foreign governments concerned would almost certainly consider the imposition of an "excise" tax on any of these products as an impairment of

the

the undertaking by the United States to maintain the duty-free status of the product, in return for which undertaking they granted valuable concessions on American export products.

With regard to sugar, duty concessions on this product have been granted by the United States to Cuba and Peru. Although there is nothing in either of these agreements which would prevent the application to imported sugar of an increased excise tax so long as such increase were also applied to domestic sugar, it is noted that the Government of the United States has purchased the entire exportable portion of the Cuban sugar crop for this year, on a basis assuring a fixed return to the Cuban producer, and is now negotiating for the purchase of next year's crop on a similar basis. It would appear, therefore, that under the terms of existing and proposed sugar purchase contracts, any increase in the excise tax would, in respect of the bulk of our sugar imports, have to be absorbed by the Government of the United States.

The foregoing indicates in a general way our existing commitments with regard to coffee, cocoa, tea and sugar. The Department of State would, of course, be glad to furnish any additional information in regard to these commitments, or information in regard to other matters within the responsibility of this Department, which the Committee may on occasion desire in connection with its consideration of new tax proposals.

September 20, 1943

Dear Waley:

Will you please transmit the enclosed letter to the Chancellor of the Exchequer? It is from Secretary Morgenthau in reply to the Chancellor's letter of September 3, 1943, with regard to the visit of Lord Keynes and his colleagues to discuss tentative proposals for international monetary cooperation.

Sincerely yours,
(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

Sir David Waley,
United Kingdom Treasury
Representative,
British Supply Council,
Willard Hotel,
Washington, D. C.

Enclosure

9/21/43 - Forwarded to addressee by
special messenger from Mr. White's
office - 10:00 a.m.

LS
9/21/43

SEP 20 1943

Dear Mr. Chancellor:

I am glad that you have sent Lord Keynes and his colleagues to Washington to discuss with Mr. White and the American technical experts the tentative proposals for international monetary cooperation. Their discussions are now going on. I share with you the hope that these discussions will make it possible for our countries and the other United Nations to bring to the solution of the problems of peace the same spirit that has marked our common war effort.

I appreciate your difficulty in choosing a successor to Sir Frederick Phillips. Frankly, we have come to regard the representative of your Treasury in Washington as an important link in the maintenance of close relations with you. I have every confidence that the representative you choose will continue the tradition of cooperation between the Treasuries of the United States and the United Kingdom. You may be sure that your representative in Washington will always find a cordial welcome here.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Sir Kingsley Wood,
The Chancellor of the Exchequer,
London, England.

EMR/jm
9/20/43

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

REFERENCE:

TELEPHONE EXECUTIVE 2020

21st September, 1943.

Dear White,

Thank you for your letter of September 20th enclosing a letter from Secretary Morgenthau to Sir Kingsley Wood's letter of September 3rd, 1943. I am sending the letter on to London, as I assume that this will be the Secretary's wish despite the tragic news of Sir Kingsley's death.

Sincerely yours,

S.D. Waley

Dr. Harry White,
U.S. Treasury.



Treasury Chambers,
Whitehall, S.W.

3rd September, 1943.

Dear Mr. Morgenthau

I am very glad that it has been possible to arrange for Lord Keynes to come to Washington to discuss with you and Dr. White and others the important proposals for an international monetary scheme after the war. Dr. White and Lord Keynes have both made this, as it were, their own subject, and have brought all their knowledge and experience to it. I am very hopeful that in the friendly discussions which they will have satisfactory progress will be made which will enable both our Governments to proceed to the next important stage.

I need not introduce Lord Keynes to you. He brings my best wishes for the success of his task, and I know that he will have yours.

Sir David Waley is also returning to act for the time being as the representative of our Treasury in Washington. I am afraid, however, that I shall not be able to let him stay indefinitely as Sir Frederick Phillips' successor, for there are other parts of his work at the Treasury on which he has specialised experience not easily

obtainable elsewhere.

As you will understand, I am very anxious to make a right choice in succession to Frederick Phillips, who was your friend as well as mine, and enjoyed equally the confidence of both of us. I want to take time to choose someone who seems suitable and before I reach a decision I shall ask the Ambassador to see you personally and to tell you of my intentions.

Yours Sincerely
Henry Morgenthau

Henry Morgenthau, Esq.



SEP 20 1943

Dear Sir David:

Would you be so kind as to transmit the enclosed letter to the Chancellor of the Exchequer acknowledging receipt of his two letters of September 3, 1943? The first concerns the receipt by the United States of raw materials from British Empire areas as reciprocal aid and the second served to transmit the memorandum on the Overseas Assets and Liabilities of the United Kingdom.

Thanking you in advance, I am,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Sir David Waley,
United Kingdom Treasury
Representative,
British Supply Council,
Willard Hotel,
Washington, D. C.

Enclosure.

SEP 20 1943

Dear Sir Kingsley:

I am writing to acknowledge receipt of your two letters of September 3, 1943, one of which dealt with the receipt by the United States of raw materials from British Empire areas as reciprocal aid and the second of which served to transmit copies of the memorandum on the Overseas Assets and Liabilities of the United Kingdom.

I appreciate your giving these matters your close personal attention. You may be assured that the points raised in your letter and the memorandum will receive our most careful consideration.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Sir Kingsley Wood,
Chancellor of the Exchequer,
London, England.

THK:ff 9/20/43

Treasury Chambers,
Whitehall S.W.

3rd September, 1943.

Dear Mr. Morgenthau

In my message to you of the 23rd August I said that I would give close personal attention to the aide memoire on Reciprocal Aid which our Embassy received on the 18th August and would write to you about it. I am now taking advantage of Sir David Waley's return to Washington to send you this personal letter as it seemed to me best that I should acquaint you myself with the position as I see it. In doing so, I know I can count on the ready understanding with which you have approached the problems of my country in the past.

I should first tell you that my Government have now given instructions for the reply to the State Department on the aide memoire which the Embassy received from them. I think it will be found convenient that our reply should be given orally in the first place; discussions as we both know often prevent misunderstandings. Moreover the representatives of our Departments in Washington will then be competent to settle the administrative procedure for the new arrangements and thus to save time in
/bringing

bringing them into effect. Afterwards, if it suits you, our agreement might be appropriately recorded in an exchange of notes which could be published for the information of our peoples.

When I learned at the beginning of June that you had in mind proposing that raw materials should be given as Reciprocal Aid, I viewed the idea with immediate sympathy. It was a natural development of the pooling of resources between our countries, which is illustrated by the Lend-Lease system, and on behalf of the United Kingdom and the Colonies, I obtained the concurrence of my colleagues to the general principle underlying your proposal.

The question of our gold and dollar balances, which I know has been causing you some concern and which I had been hoping to discuss with Sir Frederick Phillips, seems to me a separate question and I can perhaps refer to it more conveniently later in this letter.

/As

Summary of
the Lend-Lease Program.

As regards the proposals for raw materials, the Governments of Australia and New Zealand have their own Lend-Lease Agreements with the United States Government, and the Union of South Africa is negotiating such an Agreement. While the Government of India have no Agreement, they are giving Reciprocal Aid, they have direct relations on Lend-Lease with the United States Administration and they are, as you know, fiscally independent. The position is therefore that all these Governments will expect to be approached direct on the programme as it affects each one of them and to give their own answer. When the proposal was specifically made to us at the end of June, we naturally told the Dominions and India of our own policy in regard to it. We are, of course, also keeping them informed of the subsequent developments and, while you will appreciate that I cannot speak for them, I am not unhopeful of the attitude which they will take up.

When we received the provisional list of raw

/materials

materials - and the fact that the list is a more tentative one. I have discussed this with Sir Frederick Phillips at the British Embassy, and we did not regard the list as being more than a good illustration of the scale of the probable requirements, and I certainly agree with you that the original aid system should be kept flexible and open to meet changed needs. We are therefore ready to regard our offer as elastic and covering all the requirements by the United States Government of essential requirements for war needs of food-stuffs and raw materials, in so far as they can be supplied from the United Kingdom and the Colonies. Some precision in the programme is necessary for smooth working, but this can no doubt be achieved in the same way as in the case of Lend-Lease, through the submission to us of programmes and requisitions which may vary from time to time and which, I can assure you, we will examine in the same way and with the same desire to help

/as

Treasury Chambers,
Whitehall, S.W.

As the Lend-Lease Administration have always shown in dealing with our requirements of United States resources.

As regards the date of the 1st October. This was only suggested by us to give time for the arrangements which would be necessary for the switch-over from direct procurement by the United States Government to procurement by us. It was not our intention that you should complete all your contracts outstanding on that date. We are perfectly ready to make such arrangements as will permit supplies under Reciprocal Aid to commence at the earliest possible date.

On these lines, which will be discussed with the Administration by Sir David Waley and his colleagues, I should expect that a satisfactory arrangement between our two Governments could speedily be made.

It seems to me, however, that the proposal in the aide memoire that financial reimbursement should be made to the United States Government, retrospectively to the 1st July, for all deliveries covered by the new arrangements which were made between the 1st July and

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Treasury Chambers,
Whitehall, S.W.

United States Government and of the Dominion of Canada. In many other parts of the world, however, we have to provide the finance for the war. We can only do this in the main by borrowing local currencies against a credit in sterling to the respective countries, and thus we are incurring unfunded indebtedness on a vast scale. We could not continue this policy indefinitely without having some proportion of liquid assets out of which the more pressing part of the liquid indebtedness could be met if called for from time to time. But our liabilities, which are liabilities of the United Kingdom alone, are several times as great as our reserves, and the disproportion between our reserves and liabilities is also reflected in their growth.

Moreover, the gold and dollar balances, which are shown as United Kingdom balances, are not in fact our reserves alone; they are the pooled reserves of the sterling area. As you know, the members of the sterling area turn over to us their surplus dollar earnings in exchange for sterling credit. But this carries with it

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Treasury Chambers,
Whitehall S.W.

January Sir Frederick Phillips delivered to you a message from me on a proposal that Lend-Lease might be restricted if our reserves rose above a certain figure. It was, I think, on the 15th February that he gave a note to the Treasury briefly explaining the position. It is clear to me that possibly because the discussions on the subject so far have been incomplete, we have not been successful in demonstrating how we view this matter or the principles involved in it. I have therefore given instructions that the particulars in the note which Sir Frederick Phillips gave to the Treasury in February should be brought up to date, and I am arranging that a fuller confidential statement should be delivered to you for your consideration, and for discussions between the representatives of the United States Administration and our representatives in Washington.

When you have studied this statement I am sure you will understand me when I say that my Government could not regard it as reasonable that a limit should be

/placed

place to our gold and dollar holdings which pays no regard to our liabilities and their growth, or to the war circumstances which have brought about this position, particularly the fact that we have to finance practically the whole of the war expenditure in the Middle East and India. Indeed I feel entitled to hope that when the whole position is discussed and is clear, we may count, while the war circumstances remain as they are at present, upon the continuance of Lend-Lease on its present lines.

Our external financial position naturally gives me ground for concern and in my Budget Speech on the 12th April I outlined to Parliament the present position. This statement aroused wide interest and Parliament is paying increasing attention to the whole subject; Parliament is aware, for example, that our gold and dollar balances are held against very much larger liabilities which are rapidly increasing. We recognise that it is necessary that we should take steps of various kinds and at different times to

discharge

Treasury Chambers,
Whitehall S.W.

discharge some of these liabilities, through the use of our gold and dollar balances. I shall welcome a full discussion on the problem and our representatives have instructions to disclose the whole situation to the United States Administration. I cannot say here and now what we shall find it best to do, but I shall keep you informed of the lines on which we are proceeding.

As regards the publication of Reciprocal Aid figures, I think that it is necessary to publish a White Paper here as soon after the re-assembly of Parliament in the latter part of September as is found convenient. Parliament and our people are entitled to know of the magnitude of our effort and of the burden it entails. A copy of the White Paper in its present form has been given confidentially to the United States Treasury and to other representatives of the United States Administration and I shall be glad to consider any suggestions you or others may make on it. Then when we have it in the final form in which I think it should be presented to Parliament, I will arrange that you are

/given

RECEIVED
Treasury Department
SEP 17 1943
Division of
Monetary Research

given an opportunity of seeing it before it is published.

I have tried in this letter to give you a broad outline of our position, as I see it, without troubling you with unnecessary detail. Even so the letter has, perhaps become overlong. Circumstances, however, unfortunately make it impossible for us to sit down together and talk over this important subject. I am particularly anxious that you, who have so clearly understood our financial position in the past and gave us your help at a difficult time, should have a full story and should have it direct and in a personal way from me.

With our good wishes
Truman Sweeney
Kingsley Wood

encl. For Lenthau, 1943.

Treasury Chambers,
Whitehall, S.W.

3rd September, 1943.

Dear Mr Morgenthau

In the personal letter from me which Sir David Waley has delivered to you I refer to a fuller memorandum on the subject of our gold and dollar balances and our external liabilities which I was having prepared for the confidential information of yourself and other members of the United States Government.

This letter covers the memorandum which, as you see, not only sets out the details of the position for your information but gives a full account of the circumstances which has led to this position and of our present policy in regard to it.

*Yours sincerely
Rugby*

Henry Morgenthau, Esq.

MEMORANDUM BY THE BRITISH TREASURY

THE OVERSEAS ASSETS AND LIABILITIES OF
THE UNITED KINGDOM

I. THE OVERSEAS FINANCIAL POLICY OF THE UNITED KINGDOM.

1. The passage of the Lend-Lease Act early in 1941 and the assistance given by Canada from 1942 onwards have dealt most liberally with the more recent financial requirements of the United Kingdom in North America. These measures are well known and widely appreciated. In most other parts of the world, however, His Majesty's Government have to pay for the war by acquiring local currencies against a liability to repay sterling and are thus incurring unfunded indebtedness on a vast scale. It would not be possible or reasonable to continue this policy indefinitely without having some proportion of liquid assets out of which the more pressing part of the liquid indebtedness could be discharged if called for from time to time. It has, therefore, been our deliberate policy to accumulate a reserve (though, relatively, a small one) against these liabilities - not out of our net external earnings because, of course, there are none - but partly by ad hoc capital transactions and partly by holding on to a portion of such current dollars and gold as come our way (mainly from other parts of the Sterling Area) instead of using the whole of them to meet our liabilities. The dollars acquired from other part of the Sterling Area, however, have to be paid for in sterling, which increases our overseas indebtedness. This system has, therefore, the effect of increasing our gross indebtedness but does, at least, mean that we hold something against it. For example, it has seemed to us more advisable to borrow in the course of the year (say) \$3,200 million and retain \$800 million to meet pressing claims, than to borrow \$2,400 million and retain nothing against it.

2. The recent increase in British liquid assets is thus an essential component in a careful (though nevertheless vulnerable) financial policy by which, though with the most dangerous risks to our post-war position, we have managed to finance a vast war expenditure in India, the Middle East and elsewhere - an expenditure which is, of course, vitally essential to the prosecution of the war. To set a limit to our assets while disregarding the growth in our liabilities would tear this delicate system to pieces. Only if we are left free to pursue our existing policy can we hope successfully to finance our vast and essential commitments outside North America.

STATISTICS ILLUSTRATING THE OVERSEAS FINANCIAL POLICY OF THE UNITED KINGDOM.

(a) Growth of Liabilities in Relation to Assets.

3. The statistics which show how this policy has worked out in practice are given in detail below.

4. The excess of the financial burden overseas beyond that could be met out of current income in the last 3½ years has been met in four ways as follows:-

	<u>\$ million</u>			
	<u>Jan.1,1940</u> to <u>Dec.31,1941</u>	<u>In</u> <u>1942</u>	<u>1st half</u> <u>1943 (approx.)</u>	<u>Jan.1,1940</u> to <u>June 30,1943</u>
(i) <u>By overseas loans*</u>				
R.F.C. loan	345	15	- 10	350
Canadian secured loan	-	635	- 15	620
Sundry loans & advances	115	125	15	255
Total Loan	460	775	- 10	1,225
(ii) <u>By sale of overseas investments</u> (including sinking funds)	1,545	845	535 [†]	2,925 [†]
(iii) <u>By not increase of quick liabilities#</u> (excl. those carrying a gold or dollar liability)	2,585 [‡]	1,240	1,235	5,060
(iv) <u>By sale of gold and dollars (net, i.e. allowing for gold and dollar liabilities)</u>	1,950	- 305	- 330	1,315
Grand Total	6,540	2,555	1,430	10,525

* No credit is here taken for certain loans advanced during the war to Allied Government.

† The figures for the first half of 1943 are provisional and subject to correction.

i.e. Banking liabilities and liabilities of Crown Agents and of Currency Boards.

‡ The calculation of this figure requires an estimate of the quick liabilities at the commencement of the period on January 1st, 1940. The estimate of this assumed above is \$2,000 million approx., and it is this figure which has to be added to the figures above to give the correct total of the quick liabilities at any subsequent date. This figure of \$2,000 million is under further examination and may have to be reduced.

5. The effect of these changes on the aggregate of the gold and dollar reserves has been as follows: -

\$ million (Gold at \$35 per fine oz.)

	<u>Dec. 31</u> <u>1939</u>	<u>Dec. 31</u> <u>1941</u>	<u>Dec. 31</u> <u>1942</u>	<u>June 30</u> <u>1943</u>
Gross gold and dollar reserves#	2,335 ⁶	500	930	1,335
<u>Less gold and dollar liabilities</u>	-	115	240	315
Quick reserves	2,335	385	690	1,020

#Exclusive of dealers' balances.

⁶Including an approx. allowance for \$200 million held in private accounts at that date, but subsequently requisitioned and added to the official balances.

6. The relation between the growth in quick liabilities and in the quick assets held against them was, therefore, as follows:-

\$ million

	<u>1942</u>	<u>1st half 1943</u>
Increase in quick liabilities	1,240	1,235
Increase in quick assets	305	330

The accompanying increase in total liabilities has been 2,015 and 1,225 respectively.

7. It will also be observed that, whilst gold and dollar reserves have increased in the last eighteen months, they have fallen by more than half over the period as a whole. Quick liabilities (namely \$7,000 million approx.) are now about seven times the quick reserves held against them.

(b) The Sources out of which the Quick Reserves have been Accumulated.

8. The following paragraphs analyse the sources out of which an increase in our quick reserves has been accumulated in the period 1st January 1942 to 30th June 1943. Particular attention may be drawn to the following points: -

- (i) Of the total net increase in the period of \$635 million, by far the most important source has been the dollars acquired from the rest of the sterling area (\$594 million) which has involved a corresponding growth in our liabilities.
- (ii) Of the dollars acquired from the rest of the sterling area \$462 million represents pay of U.S. troops. A further \$95 million was received in respect of the pay of U.S. troops in the U.K.
- (iii) Apart from troop payments the balance on current account between the U.K. and U.S.A. was during the period adverse to the U.K. by \$349 million.
- (iv) A further important source has been \$182 million of gold from South Africa provided for the repatriation of South African sterling Government securities, which represents no increase in our total assets.

9. The growth of our quick reserves has not arisen through a favourable balance on current account between the United Kingdom and the United States. This account, apart from troop payments which are dealt with below, has been as follows: -

	\$ million		
	<u>1942</u>	<u>1943 1st half</u>	<u>1943 2nd half</u> <u>(forecast)</u>
Receipts	825	324	312
Outgoings	1,112	386	394
Balance	- 287	- 62	- 82

The further reduction in net expenditure on pre-Lend-Lease commitments during 1943 compared with 1942 has considerably reduced the deficit, but has not been sufficient to wipe it out. The prospective cost of the further reciprocal aid now proposed on raw materials will largely offset the saving on old commitments, but as its allocation between the U.K. (which bears the cost) and the Colonies (which produce the materials) is not easy to define in a balance of payments context, the matter is dealt with below in connection with the current balance with the U.S. of the Sterling Area as a whole.

10. The troop payments which are not included in the above table arise owing to the fact that, whatever else may be provided under Lend-Lease or Reciprocal Aid, it has been recognised from the beginning that Governments must retain direct responsibility for the pay of their own forces in all parts of the world. Receipts of the U.K. under this head have been: -

	\$ million		
	<u>1942</u>	<u>1943 1st half</u>	<u>1943 2nd half</u> <u>(forecast)</u>
U.S. troops in U.K.	50	45	150

It will be seen that, even after allowing for these receipts, there still remains a deficit of \$237 million in 1942 and \$17 million in the first half of 1943 against the U.K. in favour of the United States.

11. As mentioned above a special consideration applies to this item and to the similar receipts (see below) by other parts of the Sterling Area. To offset these receipts by a reduction of Lend-Lease Aid to the U.K. would come to the same thing as asking for the pay of American troops throughout the Sterling Area to be charged on the British Budget as a part of Reciprocal Aid. This proposal, if it were made, would be contrary to the principles of Mutual Aid, as understood hitherto, which have regarded the pay of the troops of each Ally, wherever situated, as the responsibility of that Government.

12. In addition to the outgoings included above, certain dollar payments have been made by the United Kingdom outside the United States, insignificant in 1942, but amounting to \$165 million, chiefly to Canada, in the first half of 1943.

13. Capital transactions in the United States, after touching high levels in 1940 and 1941, made only a small contribution to meeting the deficits in the period under consideration:-

	\$ million	
	<u>1942</u>	<u>1943 1st half</u>
Sales of gold in U.S.	8	4
Sales of securities in U.S.	22	21
Instalment of R.F.C. Loan	40	-
	70	25

14. All the above items taken together show a deficit of over \$300 million against the U.K. in the eighteen months ending June 1943. How, then, has the increase of the British quick reserves come about? There have been three main sources.

- (i) By far the most important source has been the dollars acquired from the rest of the Sterling Area. The current account between the rest of the Sterling Area and the United States has been as follows: -

	\$ million		
	1942	1943 1st half	1943 2nd half (forecast*)
Receipts	600	292	262
Outgoings	481	177	158
Balance	+ 119	+ 115	+ 104

* Before allowing for further reciprocal aid in raw materials.

Taking these figures in conjunction with those for the U.K., it will be observed that in the eighteen months ended June 30th 1943 there has been a deficit of \$115 million adverse to the Sterling Area as a whole in the above current account with the United States outside Lend-Lease and Reciprocal Aid. This may not have been appreciated in all quarters, and it may have been erroneously believed that the United Kingdom quick reserves had increased because the greater scope of Lend-Lease compared with that of Reciprocal Aid had led to a current balance with the United States substantially favourable to the Sterling Area. The new proposals for reciprocal aid in raw materials will probably convert into a deficit the small surplus which might otherwise accrue from now on as a result of the completion of payments on the pro-Lend-Lease contracts.

The receipts arising from the presence of U.S. troops in the rest of the Sterling Area (which are not included above) were \$194 million in 1942 and \$166 million in the first half of 1943. Receipts from this source in the second half of 1943 are conjecturally estimated at \$200 million.

All these dollars, both those arising from the favourable current account and also those in connection with U.S. troops, amounting altogether to \$594 million in the eighteen months ending June, 1943, have been acquired by the United Kingdom under the pooling arrangements by which members of the Sterling Area sell to the United Kingdom for sterling any dollars which they earn in excess of their own direct requirements. Thus the quick sterling liabilities of the United Kingdom have been increased by the same amount as the dollar assets so acquired.

- (ii) We have received, mainly in the first quarter of 1943, \$182 million of gold from South Africa for the repatriation of South African Government sterling securities. This has not represented an increase in our assets, but only a change in their form.
- (iii) We also receive gold, chiefly from South Africa, against payment in sterling, and since 1941 have retained a part of this gold to meet contingencies, instead of applying it at once to meet current liabilities.

15. The above analysis of the sources of the quick assets of the United Kingdom can be summed up as follows:-

	<u>\$ million</u>	
	<u>1942</u>	<u>1943 1st half</u>
U.K. current account with U.S.	- 287	- 62
U.S. troops in U.K.	+ 50	+ 45
U.K. dollar payments outside U.S.-	2	- 165
Sale of gold and securities and loans in U.S.	+ 70	+ 25
Rest of Sterling Area current account with U.S.	+ 119	+ 115
U.S. troops in rest of Sterling Area	+ 194	+ 166
Special gold from South Africa for repatriation of South African Government sterling securities	+ 15	+ 167
Other gold and dollar movements (net)	+ 146	+ 39
	<hr/>	<hr/>
Increase in U.K.'s quick assets	+ 305	+ 330
	<hr/>	<hr/>

11 THE ADEQUACY OF THE UNITED KINGDOM'S QUICK RESERVES.

16. Having regard to the size of the quick liabilities, it is obvious on any criterion that the quick reserves are seriously inadequate. But there are also certain other considerations which are, in greater or less degree, relevant to this question.

(a) The liabilities are liabilities solely of the United Kingdom and not of any other part of the Sterling Area. But the quick assets cannot be regarded as wholly available for the United Kingdom's requirements. A large part of them has been acquired under the pooling arrangement referred to above by which all parts of the Sterling Area (other than some of the temporary adherents) sell to the United Kingdom for sterling any dollars which they earn in excess of their own small direct requirements. These arrangements carry with them an implied obligation on the U.K., so far as is possible, to provide dollars for other parts of the Sterling Area, which have retained no significant dollar holdings of their own, when subsequently they have a legitimate need for them.

(b) The quick liabilities are the more burdensome because of the disposal of many of the more saleable capital assets, which otherwise would have served as a second line of defence. As the table above shows, the total loss of assets and increase of liabilities so far suffered by the United Kingdom during the war has amounted to 10½ billion dollars. In this respect our position is unique amongst the United Nations. In fact more than 90 per cent of this loss has accrued to the advantage of other members of the United Nations, many of whom have improved their overseas position during the war. The United Kingdom alone has been expected to mortgage the future on a large scale by incurring overseas liabilities. During the earlier period of the war, expenditure in North America was the main cause of the deterioration of the United Kingdom's financial position. More recently her responsibility for meeting the greater part of the local cash expenditures in the whole area of hostilities from Tunis to Burma has been the main influence. At the present time the United Kingdom's local cash expenditure in Egypt, the Middle East and India, over and above the supplies shipped across the seas, is amounting to some \$2½ billion annually, the greater part of which has to be borrowed from the countries concerned. Between the beginning of the war and the end of 1943, for example, it is estimated that we shall have incurred an indebtedness to India of some \$3,750 million, of which some \$1,200 million will have been used to discharge her Government sterling debt and the balance will remain owing to her.

(c) In judging whether, in spite of the above considerations, the United Kingdom is nevertheless accumulating unnecessarily large quick reserves it is relevant to consider the relationship between the United Kingdom's resources as shown above and those of other members of the United Nations. For example, the gold and dollar reserves of the U.S.S.R., which are not published, are estimated by the United States Treasury at \$1,600 million and those of China at \$750 million. The corresponding figures of France can be put at \$2,875 million, of the Netherlands at \$690 million and Belgium at \$870 million. None of these countries have any significant amount of overseas quick liabilities against these reserves. The figures for the United Kingdom (which in respect of dollars include the whole of the Sterling Area) are at present, as shown above, about \$1,000 million with sterling liabilities seven times this amount against them. The net gold reserves of the United States (i.e. after deducting all foreign balances held in United States) are about eighteen times the gross reserves of the United Kingdom (i.e. before deducting the sterling foreign balances held in United Kingdom which are seven times as great as the reserves).

17. If, therefore, in spite of a progressive deterioration in her net position, the United Kingdom is in a position, as we hope, to increase her quick reserves above the present figure by retaining certain liquid resources earned outside our balance of trade with the United States instead of applying them forthwith to a reduction of her liabilities, this cannot be judged, in the light of the above considerations, to be a matter for criticism or open to legitimate objection.

UNITED KINGDOM TREASURY DELEGATION

BOX 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

TELEPHONE EXECUTIVE 8020

September 22, 1943

The Honourable Henry J.
Morgenthau Jr.
Secretary of the Treasury
Washington 25, D. C.

Dear Mr. Secretary:

Thank you for your letter of September 20th enclosing a letter to Sir Kingsley Wood acknowledging receipt of his two letters of September 3, 1943. I am forwarding these to London, as I assume this would be your wish despite the sad news we have had in the meantime of Sir Kingsley Wood's death.

Sincerely yours

S. D. Waley

Sir David Waley

SDW:bj



TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

OFFICE OF THE DIRECTOR

September 20, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of September 13, 1943, the purchases against the African Program from September 13, 1943, to September 19, 1943, totaled \$1,798,865.98, or a total of purchases for the program thus far of \$61,765,847.44.

Attached is report giving status of shipping against these purchases.

[Handwritten Signature]
Clifford A. Mack
Director of Procurement

SECRET



SHIPPING REPORT AS OF SEPTEMBER 18, 1943

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Agric. Mach. & Implements	1776.38	172.82	381.94	155.32
Automotive Eqpt. & Parts	801.17		121.94	141.55
Batteries	120.77	.25	13.5	7.46
Bearings	2.21	.23	.63	.29
Brass & Bronze	288.4	2.5	87.6	
Brushes & Brooms	.8	.15		
Bldg. Hdw. & Material	310.07	76.82	268.51	22.94
Chemicals	17943.14	1491.98	6781.11	4107.27
Clothing, Notions & Textiles	16602.5	16.73	3095.86	4467.51
Construction Machinery				.44
Copper in Various Forms	336.3		98.18	10.57
Elec. Eqpt. & Supplies	74.44	22.76	7.45	36.97
Explosives	14.15			
Ferro-Alloys	73.88	11.32		.53
Food & Food Products	6032.			
Furniture & Office Eqpt.	.11	.49	.01	1.71
Glass	194.82	95.12	7.66	690.44
Graphite Products	92.66	.32	13.23	
Hand & Cutting Tools	995.64	61.04	381.19	369.26
Industrial Machinery	49.85	73.2	106.14	243.52
Iron	145.	610.	222.65	1028.35
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	.68	5.02	.3
Non-Ferrous Metals, Other	434.02		20.84	.81
Paper & Paper Products	4586.16	1605.09	1948.39	1939.12
Rope & Twine	247.7	34.75	14.	12.
Rubber	778.48	20.	319.79	484.47

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage Enroute To Port</u>
Shoes & Boots	315.68	5.34	539.38	1465.2
Steel, Alloy & Carbon	7733.93	225.36	7392.58	5831.47
Steel, Pipe & Tubing	251.47		129.54	313.72
Tin Plate	845.	357.55	204.95	2431.05
Zinc		27.96	27.29	
 Totals	 62,033.5	 5112.46	 22,831.88	 23,712.27

28

September 30, 1943.

Dear Mr. Foyers:

For the Secretary, I am acknowledging your letter of September 17, which enclosed a copy of a report upon the progress of the Soviet Protocol. Mr. Morgenthau is glad to have this material and will read it with interest.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.Honorable E. A. Foyers,
Director, Foreign Division,
War Production Board,
Washington, D. C.

WAR PRODUCTION BOARD
WASHINGTON, D. C.

281

IN REPLY REFER TO:

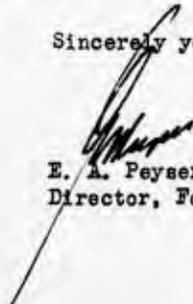
September 17, 1943

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

Dear Mr. Morgenthau:

I am enclosing a copy of the report upon
the progress of the Soviet Protocol. This is the
second report during the Third Protocol Period.

Sincerely yours,



E. A. Peyser
Director, Foreign Division

Attachment



WAR PRODUCTION BOARD

WASHINGTON, D. C.

September 15, 1943

IN REPLY REFER TO:

My dear Mr. President:

The accompanying tabulation shows the progress made during August, and during the two months ending August 31, towards fulfillment of Third Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

Practically all raw materials programs are now on a satisfactory basis. Some adjustments in steel schedules remain to be made because of a 210,000 S.T. reduction in the Soviet request (i.e. from 710,000 S.T. to 500,000 S.T.), and allocations of a few items, primarily chemicals and ferro-alloys, are being held up pending elimination of excessive stockpiles; but details relative to other programs have been fully worked out and production in accordance with terms of Protocol offers is under way.

In contrast, much remains to be done before industrial equipment programs will be completely rounded out. Although orders for a large part (approximately two-thirds) of the industrial equipment called for by Third Protocol offers were accepted and put into production in advance of the opening of the Third Protocol period, there remained as of July 1, 1943 important blocks of orders still to be placed in the case of a number of categories. To date, many of these orders have not been forwarded to the War Production Board. In consequence, appreciable fractions of programs for tool tips and blanks, small cutting tools, measuring tools, electric furnaces, rolling mill equipment, wire drawing equipment, cranes, compressors, pumps, equipment for blast furnaces, valves and fittings, pneumatic tools, and control instruments and testing machines have not yet been scheduled or even requisitioned. Because of tight supply conditions, or the long-run nature of the equipment involved, several months are required after placement of contracts for shipment of items such as these to begin. The result is that a serious obstacle has been placed in the way of achievement of promised goals in the case of these categories.

The principal reason for holding back these requisitions has been concern over the possibility that industrial equipment stockpiles will get out of hand. As of July 1, stocks of industrial equipment are estimated to have totaled approximately 190,000 short tons shipping weight. New production offered in the Third Protocol is estimated at about 510,000 tons. Thus, during the twelve month period there should be available for shipment to the USSR about 690,000 short tons of



industrial equipment. Soviet representatives have stated that they expect liftings to average around 50,000 short tons per month, a rate which would not only prevent a further growth of stocks but which would bring stocks down to 100,000 short tons or less, that is, to a reasonably satisfactory level. However, past performance has given cause to doubt that exports will take place at this rate. During the Second Protocol period the monthly average was less than 30,000 short tons shipping weight. In June and July, the average increased to slightly more than 30,000 short tons, and in August the total came to approximately 75,000 short tons. This great acceleration was brought about, however, solely through petroleum refinery equipment being granted priority over practically all other export items. Of a total of some 135,000 short tons of industrial equipment lifted in the June-August period, approximately 75,000 tons consisted of petroleum refinery items. During July and August, stocks of other equipment in warehouses and depots alone increased by more than 50,000 short tons. While it seems likely that with the completion of the petroleum refinery program, shipment of other equipment will greatly increase, it is questionable whether the increase will be sufficient to prevent stocks from growing appreciably during the Third Protocol period.

It is noteworthy that in the case of most other items included in the War Production Board Soviet Program the stocks situation now seems to be reasonably well in hand. Through diversions and increased liftings, steel stocks have been cut to less than 400,000 short tons. Non-ferrous metals have been reduced to the minimum required for pipe lines, and, through control of allocations, chemicals are being held to a reasonable level. Cable stocks have increased to some extent, but it is anticipated that recently inaugurated reductions in schedules will shortly result in production falling behind exports with a consequent lowering of stock-piles.

Respectfully yours,

/s/

Donald M. Nelson

The President
The White House
Washington, D. C.

Attachment

(LATEST DELIVERY DATE DENOTED BY DATES IN)

SECRET

Restrictions Prohibit Other Copying or

Pro-Comm Item No.	Item	Units	3rd Protocol Production Program	Made Available at Mill in U.S.A. Aug. 1, 1963 - Aug. 31, 1963	Made Available at Mill in U.S.A. July 1, 1963 - Aug. 31, 1963	Percent of 3rd Protocol Program Completed as of Sept. 1, 1963	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Sept. 1, 1963 To Complete 3rd Protocol Prod. Program	Comments
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THE-YENCOX METALS

1	Aluminum (Ingot and Fabricated)	S.T.	39,170	6,328	17,600	52	100	26,520	The Third Protocol aluminum commitment has been formally increased from 35,760 S.T. to 39,120 S.T. In addition, every effort is being made to exceed by 2,260 S.T. the monthly shipments called for by this commitment. Deliveries to date include 7,280 S.T. primary ingot, 2,704 S.T. secondary ingot, and 2,576 S.T. fabricated aluminum.
2	Nickel								
A	Pig Nickel	S.T.	3,600	150	600	17	100	3,000	August shipments were reduced to compensate for July overshipment.
B	Nickel in Kessel Screw	S.T.	-	50	50	-	-	(50 Kessels)	A total of 600 S.T. of nickel in kessel screws has been offered, but the U.S.S.R. has not yet indicated that it desires to take it. The amount made available in August was ordered for experimental purposes.
C	Nickel in Steel and Other Non-Ferrous Products	S.T.	2,400	185	407	17	100	1,993	Contained nickel deliveries to date consist of 266 S.T. in steel; 85 S.T. in nichrome wire and strip; 66 S.T. in super-nickel strip; and 10 S.T. in nichrome squares.
5	Niobium	S.T.	4,000	335	670	17	100	3,330	
6	Copper, Electrolytic	S.T.	(121,400)	(6,709)	(13,864)	(11)	(65)	(107,532)	Electrolytic copper figures refer to copper contained in various materials requiring copper which are being supplied the U.S.S.R. Deliveries to date include 6,373 S.T. contained in copper base alloys; 1,174 S.T. contained in copper goods and tubes; 25 S.T. contained in bimetal and 4,373 S.T. contained in wire mill products.

SECRET

Restrictions Prohibit Other Copying or

Pro- tocol Item No.	Year	1945	1946	1947	1948	1949	1950	1951	1952
		3rd Protocol Production Program	Stock available at 31:12 in U.S.A. Aug. 31, 1945 - Aug. 31, 1946	Stock available at 31:12 in U.S.A. July 1, 1946 - Aug. 31, 1947	Percent of 3rd Prot. Program Completed as of Sept. 1, 1948	Ratio of actual Deliveries to Prot. Sched. (Prot. Sched.=100)	Balance to be Produced as of Sept. 1, 1948 To Complete 3rd Protocol Prod. Program		
7	Copper Base Alloys	S.T.	107,500	5,993	3,134	4	47	96,366	} Stocks of copper base alloys have been reduced to a reasonable working level through increased lifting; production is therefore currently being accelerated.
8	Magnox	S.T.	4,032	136	672	17	100	3,360	
9	Steel	S.T.	13,440	1,120	2,040	17	100	11,200	
11	Copper Gears and Tubes	S.T.	15,000	73	1,174	8	47	13,826	} Stocks have been reduced to reasonable working levels and production is currently being accelerated. However, the U.S.S.R. has not requested production at the full rate called for by the Protocol.
19	Special Non-Ferrous Alloy Wires	S.T.	269	9	11	4	26	258	
20	Nickel Wire	S.T.	534	74	107	20	118	431	} Only very small quantities of special non-ferrous alloy wires have been requisitioned to date.
24	Catalyst	S.T.	80.5	27	40	50	157	40.5	
	Total Non-Ferrous Metals (Excluding Item 6, Copper, Electrolytic)	S.T.	187,999.5	15,434	77,700	15	88	167,294.5	} The production program shown is for the first half of the Protocol period only; the ratio of actual deliveries to the Protocol schedule has, therefore, been adjusted to take this into account.

FERRO-ALLOYS

14	Ferrosilicon	S.T.	-	0	0	-	-	-	} The U.S. has offered to supply 754 S.T. of ferrosilicon and 444 S.T. of ferrochrome per month. Not by agreement this offer is to become effective only when stocks held in U.S.S.R. accounts are reduced to two months' requirements. At present, stocks total more than five months' requirements and no liftings are currently taking place. In consequence, no allocation was made in August and none is planned for the immediate future.
15	Ferrochrome	S.T.	-	0	0	-	-	-	
	Total Ferro-Alloys	S.T.	-	0	0	-	-	-	

SECRET

Business Relations Under Espionage Act

Steel Item No.	Item	Unit	3rd Protocol Production Program	Rate Available at Mill in U.S.A. Aug. 1, 1943	Rate Available at Mill in U.S.A. Aug. 1, 1945	Percent of 3rd Prot. Program Completed as of Sept. 1, 1945	Ratio of Actual Deliveries to Prot. Sched. (100) (Prot. Sched. 100)	Balance to be Produced as of Sept. 1, 1945 To Complete 3rd Protocol Prod. Program	Comments
ALLOY STEEL									
16	Polished Drill Rods	S.T.	96	8	17	18	106	73	
X	High Speed	S.T.	55	9	11	24	141	34	
O	Other Alloy	S.T.							
17	High Speed Tool Steel	S.T.	4,400	433	916	20	118	3,964	
18	Tool Steel	S.T.	572	47	115	17	100	957	
X	Alloy S1P	S.T.	572	37	88	13	76	584	
O	Alloy S2PW	S.T.	5,302	397	1,078	30	170	2,524	
D	Other Alloys	S.T.		0	0	0	0	1,468	
E	Die Blocks	S.T.	1,468	0	0	0	0	1,468	
19	Cold Finished Bars	S.T.	10,498	434	1,765	16	91	9,133	
20	U.S. Alloy Bars and Billets	S.T.	57,569	3,406	7,056	10	59	60,513	
21	Stainless Steel	S.T.	2,571	30	33	1	6	2,641	
A	Sheets	S.T.	196	26	42	18	73	(85 Excess)	
D	Strips	S.T.	756	41	41	5	29	715	
O	Bars	S.T.							
22	Steel Wire	S.T.	6,563	225	144	7	41	6,119	
A	Ball Wire	S.T.	0	0	0	0	0	(113 Excess)	
B	Strips	S.T.	0	0	113	0	0	(151 Excess)	
C	Other Alloy	S.T.	0	0	151	0	0		
23	Steel Alloy Tubes	S.T.	994	0	0	0	0	994	
A	1 1/2 Cr.-.05 Ni.	S.T.	8,625	793	1,546	18	106	7,079	
B	1.56 Chrome	S.T.	0	0	0	0	0	(9 Excess)	
C-E	Carbon .15% Ni, Flow Siver	S.T.	0	0	0	0	0	0	
F	U.S. Ball Bearing Tubes	S.T.	9,376	0	0	0	0	9,376	
24	Stainless Steel Wire	S.T.	0	69	264	0	0	(264 Excess)	
25	Special Alloy Wire	S.T.	0	200	261	0	0	(261 Excess)	
	Total Alloy Steel	S.T.	114,603	7,465	14,312	12	71	100,291	

In adjusting Third Protocol production program to shipping possibilities, the U.S.A. selected a total of only 300,000 S.T. of steel (iron and alloy) to be produced on its account instead of the 710,000 S.T. offered by the U.S. A detailed reworking of the steel program to reflect this reduction is currently in process. Pending completion of this, no exact evaluation of progress made toward fulfillment of the steel commitment is possible. Progress made against the all program is shown, however, in order to indicate in a general way the trend of steel production.

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Business Relations Under Espionage Act

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Defense Production Act Reporting No.

Pro- total line No.	Item	Unit	3rd Protocol Production Program	Rate Available at Hill in D.P.A. Aug. 1, 1953 - Aug. 31, 1953	Rate Available at Hill in D.P.A. July 1, 1953 - Aug. 31, 1953	Percent of 3rd Prot. Program Completed as of Sept. 1, 1953	Ratio of Actual Deliveries to Prot. Sched. (Prot.Sched.:100)	Balance to Be Produced as of Sept. 1, 1953 To Complete 3rd Protocol Prot. Program	Comments
<u>CARBON STEEL</u>									
105-F	Nails, Accessories and Other Railway Material	S.T.	100,770	31,837	45,049	11	55	175,821	
10	Cover Clad Strips (Flintal)	S.T.	11,170	0	0	0	0	11,170	
16 & 16A	Plain Carbon Tool Steel and Drill Rod	S.T.	5,407	500	1,089	10	34	5,718	
19B	Plain Carbon Bullet Core	S.T.	11,700	1,970	4,567	41	241	6,633	
74	Titanite	S.T.	60,000	5,776	6,617	11	66	53,583	
	Other Carbon Steel	S.T.	36,000	3,740	10,177	24	165	25,613	
	Total Carbon Steel	S.T.	206,297	43,423	67,509	17	71	477,808	See Alloy Steel for comments.
<u>CHEMICALS</u>									
16	Phenol	S.T.	12,000	750	750	6	35	11,250	
18	Ethylene Glycol	S.T.	3,360	0	0	0	0	3,360	
45	Methanol	S.T.	6,720	0	0	0	0	6,720	
46	Urotropine	S.T.	5,720	0	0	0	0	6,720	
61A	Glycerine	S.T.	5,720	1,957	1,957	28	160	4,063	
61A1	Caustic Soda	S.T.	40,320	9,666	10,429	26	153	29,951	
95A	Ethyl Alcohol	S.T.	107,500	16,114	23,896	22	129	83,604	
61A5	Acetone	S.T.	5,720	657	657	10	59	5,063	
61A	Other Chemicals	S.T.	17,096	431	738	6	35	11,358	
	Total Chemicals	S.T.	200,176	23,477	38,277	19	112	163,889	Because of excessive stocks, allocations of chemicals are still being held to a minimum in all cases except glycerine, caustic soda and ethyl alcohol.

SECRET

Defense Production Act Reporting No.

287

Regraded Unclassified

SECRET

Executive Personnel Under Espionage Act

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Rate available at Hill in U.S.A. Aug. 1, 1943 - Aug. 31, 1943	Rate available at Hill in U.S.A. July 1, 1943 - Aug. 31, 1943	Percent of 3rd Prot. Program Completed as of Sept. 1, 1943	Ratio of actual Deliveries to Prot. Sched. (Prot. Sched. x 100)	Balance to be Produced as of Sept. 1, 1943 to Complete 3rd Protocol Prod. Program	Comments
NAVY AND MARINE CABLE									
1	Marine Cable	EM.	1,200	43	133	11	65	1,067	Deliveries of marine and submarine cable shown are still against contracts carried over from the Second Protocol period. August shipments of submarine cable marked virtual completion of a Trans-Caspian cable project which was gotten under way in November, 1942. Completion of this project, which came to more than \$1,500,000 in value and which involved such material and equipment besides cable, is expected to facilitate greatly use of the Caspian Sea in the movement of products into the U.S.S.R.
F	Submarine Cable	EM.	600	115	119	20	118	481	
	Total Marine and Submarine Cable	EM.	1,800	162	252	14	82	1,548	
POWER AND RELATED CABLE									
7B	Insulated Cable and Wire (Cover Contact)	S.T.	21,516	1,756	4,303	70	118	17,713	Power and related cable production has been cut considerably below the Protocol rate because of excessive seaborne stocks (i.e., approximately 60,000 S.T. gross weight as of August 1.)
7A	Copper Cable and Wire (Cover Contact)	S.T.	20,000	0	6	-	-	19,994	
	Total Power and Related Cable	S.T.	41,516	1,756	4,309	70	59	37,707	
MISCELLANEOUS MATERIALS ITEMS									
#0	Sheet Fiber	S.T.	1,000	398	470	53	112	571	The entire sheet fiber commitment is covered by contracts carried over from the Second Protocol period. Present schedules call for the completion of these by December.
#1	Parabond Paper	S.T.	1,600	0	0	0	0	1,600	
#2A	Container Paper	S.T.	146	0	0	0	0	146	No remissions have been submitted to date for paper products.
#B	Cigarette Paper	S.T.	136	0	0	0	0	136	
#C	Other Materials and Their Products	A	5,000,000	-	-	-	-	-	The offer of "other materials" is a maximum offer and is to be used only to cover emergency requests. Orders to date total only a fraction of \$5,000,000 and deliveries against these have been slight because of lead factors.

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Executive Personnel Under Espionage Act

SECRET
Defense Production Administration Act

Pro- gram Item No.	Item	Unit	3rd Protocol Production Program	Value Available at Mill in U.S.A. Aug. 1, 1945 - Aug. 31, 1945	Value Available at Mill in U.S.A. July 1, 1945 - Aug. 31, 1945	Percent of 3rd Prot. Program Completed as of Sept. 1, 1945	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.100)	Balance to be Produced as of Sept. 1, 1945 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT									
15A	Cemented Carbide Tine and Nails	#	3,000,000	187,047	62,517	15	88	2,546,063	Requisitions for a large part of the offered quantities of these items have not yet been forwarded to the V.P.A.
149	Steel Cutting Tools	#	15,000,000	1,106,699	1,796,491	12	71	13,743,509	
150	Welding Tools	#	3,000,000	29,466	201,617	7	41	2,796,383	
67B	Abusive Products	#	4,000,000	491,526	674,696	17	100	3,528,404	
60	Machine Tools	#	120,000,000	9,713,300	21,509,790	16	106	98,990,790	August machine tool delivery data are based upon incomplete reports from fabricators and will probably be subject to an appreciable upward revision when full information is received.
61	Electric Furnaces	#	12,000,000	805,904	99,760	8	47	11,007,240	Requisitions for a large part of the electric furnaces offered have not yet been forwarded to the V.P.A.
64A	Rolling Mills and Roller-set	#	16,000,000	54,729	89,645	1	6	15,910,355	Of the \$16,000,000 offered, the V.P.A. expected \$11,000,000 to be used to cover a roll mill. It has been decided by the O.I.S.A., however, that miscellaneous rolling mill equipment should be substituted for the roll mill. To date no program of substitute equipment has been forwarded to the V.P.A. Until such a program has been forwarded and reviewed from the standpoint of production feasibility, and until requisitions are cleared and contracts placed, production cannot begin. Progress against this offer, therefore, has been, and will necessarily continue to be, slow.
62B	Presses, Forges, Hammers and Related Equipment	#	30,000,000	1,566,100	2,826,500	10	99	27,113,500	August delivery data are based upon preliminary reports and will probably be subject to an appreciable upward revision.

SECRET
Defense Production Administration Act

SECRET

Do Not Release Under Espionage Act

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available as Bill in U.S.A. Aug. 1, 1943 - Aug. 31, 1943	Now Available as Bill in U.S.A. July 1, 1943 - Aug. 31, 1943	Percent of 3rd Prot. Program Completed as of Sept. 1, 1943	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. 1100)	Balance to be Produced as of Sept. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
64C	Wire Drawing Equipment	\$	2,000,000	0	0	0	0	2,000,000	Requisitions against the Third Protocol offer have not yet been forwarded to the W.P.B. It has been impossible, therefore, to get production under way.
65	Various Industrial Equipment	\$	170,000,000	13,340,367	14,130,113	20	138	95,565,007	All requisitions for items in this category have been cleared and contracts placed for same time. Production is considered satisfactory.
66	Control Inst. and Testing Machines	\$	1,700,000	31,565	304,653	14	106	1,395,347	No new Third Protocol requisitions have been forwarded to the W.P.B. to date. A large part of the program has, therefore, not yet been gotten under way.
69-70	Anti-Friction Bearings	\$	15,000,000	969,491	1,426,867	10	71	13,373,133	
111	Block Signal System	\$	14,591,500	15,376	28,016	0	0	14,563,484	The Block Signal System offered is covered by one order. Substantial deliveries against this are not expected to begin until early 1944.
140	Power Equipment	\$	75,000,000	5,577,950	14,078,974	29	112	60,922,026	The entire power program offered is now under requisition. Most contracts have been placed and major items have been worked into production schedules. Orders carried over from the Second Protocol period are expected to be completed in the next few months, and deliveries against new orders are scheduled to begin in December.
	Total Industrial and Related Equipment	\$	431,291,500	34,376,666	69,139,649	16	94	362,155,851	

SECRET

Do Not Release Under Espionage Act

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Make Available at Mill in U.S.A. Aug. 31, 1943	Make Available at Mill in U.S.A. July 1, 1943 - Aug. 31, 1943	Percent of 3rd Prot. Program Completed as of Sept. 1, 1943	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.100)	Balance to be Produced as of Sept. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
<u>MISCELLANEOUS EQUIPMENT ITEMS</u>									
57A	Abrasive Grains	S.T.	4,000	170	967	24	141	3,033	
58A	Graphite Electrodes	S.T.	5,757	680	1,014	18	106	4,743	
68B	Other Graphite Goods	S.T.	1,691	197	261	14	82	1,409	
68C	Graphite Powder	S.T.	1,170	185	316	28	165	804	
7F	Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,300	3,565	7,830	20	111	30,465	
7P	Metallic Cloth and Screen	\$	1,000,000	23,463	132,925	13	76	967,075	<p>Very few Third Protocol requisitions for metallic cloth and screen have as yet been forwarded to the W.P.B.</p> <p>The U.S. has offered to supply up to \$25,000,000 of Emergency Equipment provided the Soviet Government certifies the need for particular items totaling this amount, and provided specifications are acceptable to the W.P.B. So far only a few requisitions have been placed under this category. Because of lead factors, no deliveries took place against these in August.</p>
7Q	Emergency Equipment	\$	25,000,000	-	-	-	-	-	

War Production Board
 Foreign Division
 Review and Analysis Branch
 September 14, 1943

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

Calcutta

Dated September 20, 1943

Rec'd 3:20 p.m.

Secretary of State,
Washington.

PRIORITY.

1210, September 20, 3 p.m.

FOR SECRETARY OF THE TREASURY FROM ADLER

One. Arrived Calcutta September 18. Used
short time in Bombay to get cross section of
Indian unofficial opinion on monetary situation
and to study bullion market.

Two. Sending summary general observations
and conclusions in separate cable. Material col-
lected en-route by pouch. Shall finish full
report by the end of week and also forward by
pouch. Expect to return Chungking on 27th.

Three. US Army medical examination in
Calcutta gives me clean bill of health.

PATTON

MFG

NOT TO BE RETRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL NO. 310

Information received up to ten A.M. 20th September.

1. NAVAL

Last night our Coastal forces off the Dutch Coast torpedoed a large ship and set two trawlers on fire. A motor gun boat was damaged and had two casualties. One of H.M. Frigates was torpedoed early this morning while escorting an outward Convoy South West of Iceland. (C).

2. MILITARYITALY

To 1600Z 18th. Fifth Army. The Salient on the River Sele has now been consolidated and our advance is continuing North Eastwards. A slight advance has been made North of Salerno. Much enemy movement Northwards from Battipaglia suggests that he is thinning out in the Southern sector of the front. Eighth Army. Satisfactory progress continues our leading troops advancing Northwards on Potenza are nearing Corleto and firm contact has been established with the Fifth Army. Taranto area. Our troops are now in possession of Gioja whence the enemy withdrew his rearguard on 17th. Patrols have reached Trani and Potenza.

RUSSIA.

See D.D.H.I.'s telegram to Military Attache. Russians are steadily approaching the Dnioper along the greater part of its length and it is becoming increasingly likely that the Germans will withdraw to the West bank between Orsha and Zaporozhe. This is first good defence line to which they can now retire and they will doubtless try to stand here. Further South they will probably try to hold the line Zaporozhe - Melitopol to protect Crinea although country here unsuitable for defence.

3. AIR OPERATIONSWESTERN FRONT

19th. Small scale attacks by escorted Medium and Fighter bombers were made on airfields in Northern France and low countries. Enemy casualties in the air 6, 0, 6 ours 3 Spitfires.

ITALY

17th/18th. Wellingtons dropped 119 tons on an airfield in Rome area. 1 missing. 84 Medium and Light bombers attacked Torre Annunziata and communications in the battle area.

18th. Heavy Bombers dropped 125 tons on Viterbo airfield and 123 Medium Bombers attacked two other airfields near Rome. Airfields near Foggia were attacked by Lightnings of which three are missing. Dodocanose 18th. Enemy aircraft made three attacks on Kos Island destroying three Transport aircraft on the ground. Five JU 88 and two ME 109 were destroyed by Spitfire of which two are missing.

CORRECTION TO OPTEL 309

For "(6 corrupt groups)" in third line from bottom of page read "dropped and 57".