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November 13, 1943

The Secretary met Ambassador Gromyko at the White House at the signing of the UNRRA Agreement, at which time the Ambassador remarked how sorry he was that the Secretary could not accept Molotov's invitation to come to Russia. The Secretary expressed surprise and inquired, "What invitation?" whereupon the Ambassador explained that Molotov had invited the Secretary to visit Russia while he was over in Algiers.

The Secretary inquired of the State Department whether they knew of any such invitation, and they informed him they did not. He, therefore, asked that a cable be sent to Ambassador Harriman, which was done, and today Mr. Renchard of Secretary Hull's office telephoned the following explanation:

"Ambassador Harriman forwarded the invitation to Cairo to Minister Kirk to the effect that Molotov had spoken to Harriman as to whether there was any possibility of the Secretary's visiting Moscow. Molotov said that he and Mikoyan, Commissar for Foreign Trade, wanted to talk things over with Mr. Morgenthau. Harriman said he wanted Mr. Morgenthau to stay at his house. Kirk received the invitation and replied that Mr. Morgenthau had left, and Harriman so informed Molotov. Ambassador Harriman suggested that the Secretary send the attached cable to Harriman."

It seems that Minister Kirk, since the Secretary had left, expected that Ambassador Harriman would reach him at his next stop, and Ambassador Harriman expected that Kirk would due the same, as a result of which neither one tried to reach Mr. Morgenthau after he left Algiers and, therefore, he knew nothing about the invitation.

"Will you kindly convey the following message to Molotov and Mikoyan. I deeply regret that the invitation to visit the Soviet Union unfortunately did not reach me in Cairo where it was sent to me by our Embassy. It would have given me very real personal pleasure to have visited your country. I thank you warmly for your courteous invitation and hope that on some future occasion I may have the opportunity of discussing with you matters of mutual interest."

Please accept my thanks for your invitation to stay with you. (Ambassador Harriman) *Hope to*
avail myself of ~~your~~ as a future date
invitation

TELEGRAM SENT

3

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

November 13, 1943
4 p.m.

AMERICAN EMBASSY

MOSCOW (U.S.S.R.)

1209

FOR HARRIMAN FROM MORGENTHAU

Will you kindly convey the following message
to Molotov and Mikoyan:

QUOTE I deeply regret that the invitation to
visit the Soviet Union unfortunately did not reach
me in Cairo where it was sent to me by our Embassy.
It would have given me very real personal pleasure
to have visited your country. I thank you warmly
for your courteous invitation and hope that on
some future occasion I may have the opportunity
of discussing with you matters of mutual interest.
UNQUOTE

Please accept my thanks for your invitation of
which I hope to avail myself of a future date.

HULL
(HFM)

S:GWR;ARK

November 13, 1943
12:04 p.m.

Operator: His secretary.

HMJr: Hello.

Miss N.
Matveyeva: Ambassador Gromyko's secretary speaking.

HMJr: This is Mr. Morgenthau.

M: Yes, Mr. Morgenthau.

HMJr: Have you got a pencil?

M: Yes, surely.

HMJr: And a piece of paper?

M: Yes, sir.

HMJr: Well, Ambassador Gromyko spoke to me -- oh, a few days ago at the White House....

M: Yes.

HMJr:and asked had I ever received an invitation from Mr. Molotov to come to Moscow, and I told him I hadn't.

M: Yes.

HMJr: And I asked Mr. Hull's office to find out and this is the information which I got this morning. Ambassador Harriman forwarded to Cairo to our Minister there, Mr. Kirk,....

M: Yes.

HMJr:a message to the effect that Mr. Molotov....

M: Yes.

HMJr:had spoken to Mr. Harriman....

M: Yes.

HMJr:whether there was any possibility of my visiting Moscow.

- 2 -

M: Yes.

HMJr: Mr. Molotov said that he and Mr. Mikoyan --
Is that the way you pronounce it? -- Commissar
of Foreign Trade....

M: (Pronounces) Mikoyan.

HMJr: Oh, thank you.

M: You're welcome.

HMJr:wanted to talk things over with me.

M: Yes.

HMJr: And Kirk, our Minister, Minister Kirk received
the invitation and replied that I had left....

M: Oh.

HMJr:and so -- and Mr. Harriman so informed Mr.
Molotov.

M: Yes.

HMJr: Well, now, this is the first I've gotten. Now,
of course, I want Ambassador Gromyko to know
how much I appreciate Mr. Molotov and Mr. Mikoyan's
invitation and I am, through the State Department,
sending a formal message of appreciation, but I
would also like very much if Ambassador Gromyko
would also send one and explain just what happened,
you see?

M: All right. I'll bring that....

HMJr: And I....

M:before the Ambassador just as soon as he
arrives and he will transmit it immediately to
Moscow.

HMJr: And tell the Ambassador Gromyko that I'm ever so
much obliged for his telling me about it because
I never would have known about it if he hadn't
have brought it to my attention.

M: I see.

- 3 -

HMJr: I never would have known it.

M: All right. We'll send it to Moscow right away.

HMJr: And that I also hope that at some future date I will be able to accept their invitation.

M: All right.

HMJr: Don't forget the last part.

M: Oh, no, I won't.

HMJr: Thank you....

M: You're welcome.

HMJr:very much. Good bye.

Nov. 13, 1948

Ted Gamble

Secretary Morgenthau

I think that the attached is one of the best pictures I have seen, and I am wondering whether we couldn't make some use of it. - *Dane* -

"The Mothers of Naples
Lament Their Dead Sons"

November 13, 1943

Dear Elmer:

I am pleased to forward you herewith
a copy of a letter which I have written to
Robert Sherwood.

Yours sincerely,

(Agt) Henry Morgenthau

Mr. Elmer Davis,
Office of War Information,
Social Security Building,
Washington, D. C.

November 13, 1943

My dear Mrs. Parran:

I am pleased to forward you herewith a copy of a letter which I have written to Robert Sherwood.

Yours sincerely,

(Agd) Henry Morgenthau Jr.

Mrs. Carroll K. Parran,
Office of War Information,
Social Security Building,
Washington, D. C.

November 13, 1943

Dear Bob:

I have known Mrs. Parran for more than a dozen years, and I have always admired her ability, integrity and character. I place Mrs. Parran's loyalty to her Government as high as that of anyone I know in Washington.

I would like you to know this for the record.

Sincerely,

(pgs) Henry Morgenthau Jr

Mr. Robert E. Sherwood,
Office of War Information,
Social Security Building,
Washington, D.C.

cc: Mr. Elmer Davis,
Mrs. Parran.



THE SECRETARY OF THE TREASURY
WASHINGTON

November 13, 1943

Dear Bob:

I have known Mrs. Parran for more than a dozen years, and I have always admired her ability, integrity and character. I place Mrs. Parran's loyalty to her Government as high as ^{that} anyone I know in Washington.

I would like you to know this for the record.

Sincerely,

Mr. Robert E. Sherwood
Office of War Information
Social Security Building
Washington, D. C.

Cc: Mr. Elmer Davis
Mrs. Parran



11/13/48

12

SDt over to Mr. Latta via Secret Service
at 3:00 today. He will take care of
seeing that it goes to the President.

NOV 13 1943

My dear Mr. President:

After hearing you make the statement at Cabinet that there were reports that Dr. Weismann had tried to bribe King Ibn Saud, you may remember that I asked you whether anybody here had tried to get Dr. Weismann's side of the story and you said you thought not.

As a matter of fairness to Dr. Weismann and the Zionist Movement, plus the important fact that you may have an opportunity to do something constructive for the Jews in Palestine, I asked friends of Dr. Weismann in this country to tell me what they could that would bear on this report. I am enclosing herewith a memorandum from Meyer W. Weisgal, which gives in detail just what has happened since 1940 to the best of his knowledge.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

The President

The White House

HEG:ym

MS

My dear Mr. President:

After hearing you make the statement at Cabinet
~~that Dr. Weizmann had been purported to have~~ ^{there were reports that} ~~tried to bribe~~ ^{had}
 King Ibn Saud, you may remember ^{that} I asked you whether anybody
~~had asked Dr. Weizmann,~~ ^{here had tried to get} ~~for his~~ side of the story and you
 said ~~you thought not.~~

^{As a matter of}
~~It~~ fairness to Dr. Weizmann and the Zionist Movement,
~~which he represents,~~ plus the important fact that you may
 have an opportunity to do something constructive for the
 Jews in Palestine, I asked friends of Dr. Weizmann in
 this country to ^{tell me what they could that would bear} ~~give me his side of the story.~~ I am en-
~~closing herewith a memorandum from Meyer W. Weisgal, which~~
^{in this report.}
 closing herewith a memorandum from Meyer W. Weisgal, which
 gives in detail just what has happened since 1940 to the
 best of his knowledge.

Sincerely yours,

הסוכנות היהודית לארץ ישראל

The Jewish Agency for Palestine

WASHINGTON OFFICE: 1720 SIXTEENTH STREET, N. W. • MICHIGAN 4480

November 11, 1943

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

My dear Mr. Secretary:

I hope that the enclosed memorandum will be helpful.

If it were at all possible for you to convey the information you gave us this morning to Dr. Weizmann through the diplomatic pouch, it would be very helpful. The person I mentioned this morning will not return to England till the end of November or the beginning of December. I would be very grateful if you would let me know about this.

With many thanks,

Very cordially yours,


Meyer W. Weisgal
Personal Representative of
Dr. Weizmann

MEMORANDUM

from Meyer W. Weisgal

November 11, 1943

Without checking directly with Dr. Weizmann, it is, of course, impossible to make a conclusive reply to the statement which you were good enough to convey to us this morning. However, to confirm our own knowledge of the situation, we checked with Dr. Nahum Goldmann, the political representative of the Jewish Agency in this country, who is closely identified with our affairs, and with Dr. Weizmann. He, as we did this morning, corroborated the essential facts as we know them. They are as follows:

In 1940, prior to Dr. Weizmann's departure for the United States, he met with Mr. Churchill. Mr. Churchill, whose interest in Zionism has been continuous since the Balfour Declaration, told Dr. Weizmann that in his opinion the solution of our Palestine problem rested, to a large extent, on securing the goodwill of King Ibn Saud. As far as I can recall, Mr. Churchill said: "I will make Ibn Saud the boss of the bosses of the Arab world, and, as a condition, Palestine must become in fact, as in promise, the Jewish National Homeland. Of course, it will involve large sums of money."

To this Dr. Weizmann replied: "If it is a question of a million pounds, it is too cheap; if it is a hundred million pounds, we cannot tackle it; if it is twenty or twenty-five million pounds, I have not got the money, but you may rest assured, Mr. Prime Minister, that the Jewish people will be ready to pay the sum."

(These quotations are from memory and may not be the exact words used. The sense, however, is accurate.)

The underlying idea, as reported to us confidentially by Dr.

-Weizmann-

Weizmann, was that this money should be given as a long-term loan to Saudi Arabia for the development of that country and other parts of the Arab world, and as an indication of Jewish interest in the economic development of the Near East.

Shortly after Dr. Weizmann's conversation with Mr. Churchill, John Philby, a British traveler and explorer, known for his anti-Zionist attitude, came to Dr. Weizmann of his own accord to discuss the problem of Zionism. Philby had been in Saudi Arabia for many years, had become a Moslem, and was very close to Ibn Saud. In this conversation, Mr. Philby suggested that he might be ready to approach Ibn Saud with a view to winning his support for the Zionist cause. He indicated that the Jews would be expected to advance a substantial sum as a loan to Saudi Arabia. A second condition which Mr. Philby made was that if Ibn Saud agreed that Palestine should be ceded to the Jews, all the other Arab countries would have to become completely independent after the war, with Ibn Saud as their overlord.

Dr. Weizmann discussed the advisability of Mr. Philby's approaching Ibn Saud, with some British officials, but, for various reasons, it was considered inadvisable to entrust Mr. Philby with this mission.

Dr. Weizmann reported all this to Mr. Sumner Welles, who agreed that Ibn Saud might become the Arab leader through whose intervention the Palestine problem might be solved.

When Dr. Weizmann saw the President, accompanied by Mr. Welles, there was some discussion on the same question. The President, too, indicated his interest in the economic development of Saudi Arabia, and the possibility that Jewish and governmental assistance might be extended.

A few weeks later when Dr. Wise met with the President, the

same matter was touched upon, and the President again indicated his readiness to help Saudi Arabia and his hope that Ibn Saud might take a reasonable attitude with regard to Palestine.

Since 1940, as far as we know, Dr. Weizmann had no discussion with any individual, British or otherwise, regarding this matter, except those alluded to above. But it is possible that Mr. Philby may have discussed the whole matter with the Saudi Arabian Ambassador in London, who is at present accompanying the Saudian Arabian Princes on their trip here. Certainly no one could have gone to Saudi Arabia during the war, without the full knowledge, consent and facilities of the British government.

Washington, D. C.

lets by Dr White
office with message
that they spoke to
Amb Landis himself



LEGATION OF THE
UNITED STATES OF AMERICA
Cairo, Egypt

November 13, 1943

PERSONAL

By Fast Pouch

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

Dear Mr. Secretary:

I thought you might be interested in a copy of the attached article from the Egyptian Mail commenting on the British White Paper. We seem to be definitely on the debit and not on the credit side of Lend-Lease. I am also attaching a copy of a letter which I sent to Mr. Stettinius.

Sincerely yours,

James M. Landis, Minister
American Director of Economic Operations
in the Middle East

P.S. As indication of the way the U.S. Army felt about this
Attachments: 2 *the microfilm copy was forwarded to War Department.*

NOV 18 1943
RECORDED
INDEXED

Cairo, Egypt

November 13, 1943

PERSONAL

By Fast Pouch

Honorable Edward R. Stettinius, Administrator
Office of Lend-Lease Administration
Washington, D. C.

Dear Ed:

I am enclosing by Fast Pouch a copy of the Egyptian
Mail article to which reference was made in the
Legation's cable No. 2063 of November 12, Midnight.
The article is self-explanatory.

It is unfortunate that things like this occur out
here. The British know our feelings about this
article but beyond that I have let the matter drop.

Sincerely yours,

James M. Landis, Minister
American Director of Economic Operations
in the Middle East

Enclosure

CC: Hon. Henry Morgenthau Jr. ✓

Military Uniforms
MANAGOS
 Tailor & Outfitter
 1031 G. ISMAILIA
 1031 G. ISMAILIA
 1031 G. ISMAILIA
 1031 G. ISMAILIA
 1031 G. ISMAILIA

EGYPTIAN MAIL

No. 9209. CAIRO. — FRIDAY, NOVEMBER 12, 1943.—ALEXANDRIA. 10 MILLEME.

MOERIS CIVITAS
 The Quality Watches
DUSONCHET
 2, Sharia Fouad I - Cairo

GREAT LEASE-LEND BALANCE IN FAVOUR OF BRITAIN

WHITE PAPER REVEALS HUGE MUTUAL AID TRANSACTIONS

LONDON, Thursday: Britain and America have published their first mutually reciprocal declarations on Lease-Lend. The British Government today published a White Paper giving the detailed report of the great contribution Britain is making to the United States. In Congress, President Roosevelt made his twelfth Lease-Lend report.

It revealed that up to June 30th 1943, the British Commonwealth had contributed about 1,371 million dollars (\$292,000,000) to the defence of the United States through reverse Lease-Lend supplies and services.

At the present, he said, the United Kingdom has expended about 673 million dollars (\$137,000,000) and Australia, New Zealand and India approximately 10 million dollars (\$2,500,000).

The British White Paper revealed that up to the middle of this year, requests made by the United States to the United Kingdom for the United States to supply them with military equipment, valued at 1,225 million dollars (\$250,000,000), had been met by British Lend-Lease supplies.

Coastal Reports To Congress

WASHINGTON, Thursday: The United States Coast Guard today reported to Congress that it had received 1,200 reports of sightings of German submarines in the Atlantic Ocean during the past year.

Live Stock

WASHINGTON, Thursday: The United States Department of Agriculture today reported that the number of live stock in the United States had increased by 10 per cent during the past year.

Plane Over London Area

LONDON, Thursday: A German plane was seen flying over the London area today, according to reports from the Royal Air Force.

Nazis Clear All Civilians From French Coast

PARIS, Thursday: German troops today cleared all civilians from the French coast, according to reports from the French government.

Heavy Raid On Modane

PARIS, Thursday: A heavy German raid on Modane today resulted in the destruction of several buildings and the death of several people.

ARREST OF PRESIDENT STARTS SERIOUS RIOTS IN LEBANON

BEIRUT, Thursday: Serious disturbances have broken out in Beirut, Tripoli and other cities of the Lebanon following the arrest of the Lebanese President, Fawzi al-Qasbi, and other Ministers.

After the Lebanese police had arrested Fawzi al-Qasbi, the President, and other Ministers, serious disturbances broke out in Beirut, Tripoli and other cities of the Lebanon. The disturbances were particularly serious in Beirut, where they led to the death of several people and the destruction of many buildings.

The disturbances in Beirut were particularly serious, leading to the death of several people and the destruction of many buildings. The situation in the Lebanon is now very tense.

Mutual Aid

WASHINGTON, Thursday: The United States Mutual Aid Commission today reported that it had received 1,200 reports of sightings of German submarines in the Atlantic Ocean during the past year.

Free Supplies

WASHINGTON, Thursday: The United States Mutual Aid Commission today reported that it had received 1,200 reports of sightings of German submarines in the Atlantic Ocean during the past year.

Not Total

WASHINGTON, Thursday: The United States Mutual Aid Commission today reported that it had received 1,200 reports of sightings of German submarines in the Atlantic Ocean during the past year.

Danger Sign

WASHINGTON, Thursday: The United States Mutual Aid Commission today reported that it had received 1,200 reports of sightings of German submarines in the Atlantic Ocean during the past year.

Nazis Use Monster U-Boats

WASHINGTON, Thursday: The United States Navy today reported that it had received 1,200 reports of sightings of German submarines in the Atlantic Ocean during the past year.

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FIVE MILE ADVANCE IN ITALY

ROME, Thursday: The Italian army today reported that it had made a five-mile advance in Italy, according to reports from the Italian government.

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LOSS OF BRITISH DESTROYER

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FIRM BASIS FOR PEACE SET AT MOSCOW — Eden



LONDON, Thursday: Mr. Anthony Eden, the Foreign Secretary, was received with cheers when he rose to give the House of Commons today an account of the Moscow Conference, the results of which, he said, exceeded his hopes.

As he received the House of Commons, Eden said that the Moscow Conference had set a firm basis for peace. He said that the results of the conference exceeded his hopes.

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Soldiers in a snowy landscape during a military operation.

Russians 20 Miles From Zhitomir

MOSCOW, Thursday: General Voronov today reported that Russian troops were 20 miles from Zhitomir, according to reports from the Soviet government.

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Air Offensive In Aegean Continues

ATHENS, Thursday: The Greek Air Force today reported that it had made an air offensive in the Aegean, according to reports from the Greek government.

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BRITISH AND U.S. MINISTERS RECEIVED BY KING FAROUK

CAIRO, Thursday: King Farouk today received British and U.S. ministers, according to reports from the Egyptian government.

King Farouk today received British and U.S. ministers, according to reports from the Egyptian government.

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Violent Naval Battle Reported Off Solomons

HONOLULU, Thursday: A violent naval battle was reported off the Solomons, according to reports from the U.S. Navy.

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TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

November 13, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended November 3, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

E. M. B.

FEDERAL RESERVE BANK
OF NEW YORK

November 10, 1943.

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended November 3, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,
Vice President.

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

Enclosure

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended November 3, 1943 Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	DEBITS				CREDITS					Net Incr (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)				
First year of war (a) War period through December, 1940	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(r)	1,095.3(r)	+299.0
Second year of war (b) Third year of war (1)	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Fourth year of war (j)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 19.2	38.9	8.8	- 30.1
1943	1,235.6	904.8	7.7	223.3	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Sept. 2 - Sept. 29	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3	59.5	35.3	0.1	24.1	128.4	-	-	41.5	86.9	+ 68.9	-	-	-
Nov. 4 - Dec. 1													
Dec. 2 - Dec. 29													
Week Ended: 6	12.1	5.0	-	7.1	41.3	-	-	16.0	25.3	+ 29.2	-	-	-
OCTOBER 13	11.2	4.7	-	6.5	19.1	-	-	8.0	11.1	+ 7.9	-	-	-
October 20	9.2	4.9	-	4.3	6.4	-	-	-	6.4	- 2.8	-	-	-
October 27	5.8(r)	0.8	-	5.0(r)	32.4(r)	-	-	-	32.4(r)	+ 26.6	-	-	-
November 3	21.2	19.9 (1)	0.1	1.2	29.2(r)	-	-	17.5	11.7(r)	+ 8.0	-	-	-

See attached sheet for footnotes.

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$20.7 million

Regraded Unclassified

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 3.4 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$2.0 million to be held for credit of U. S. armed forces abroad.
- (l) Includes payment of \$16.0 million made by British Ministry of Supply made to Commodity Credit Corporation.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended November 3, 1943

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)								
	DEBITS			CREDITS					Net Incr. (+) or Decr. (-) in \$ mils (a)	DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Total Debits		Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits		Net Incr. (+) or Decr. (-) in \$ mils (e)	
First year of war (a) War period through December, 1940	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	5.1	+ 4.9	
Second year of war (b)	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5	
Third year of war (c)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 2.0	
Fourth year of war (d) 1943	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 10.5	107.2	57.4	49.8	112.2	17.2	95.0	+ 5.0	
Sept. 2 - Sept. 29	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4	
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	- 11.0	
Sept. 30 - Nov. 3	31.5	-	31.5	83.9	-	0.1	-	83.8	+ 52.4	44.9	41.5	3.4	41.7	-	41.7	- 3.2	
Nov. 4 - Dec. 1																	
Dec. 2 - Dec. 29																	
Week Ended: 6	4.9	-	4.9	20.6	-	-	-	20.6	+ 15.1	17.1	16.0	1.1	21.1	-	21.1	+ 4.0	
October 13	6.3	-	6.3	11.4	-	-	-	11.4	+ 5.1	8.2	8.0	0.2	0.6	-	0.6	- 7.6	
October 20	5.1	-	5.1	13.5	-	-	-	13.5	+ 8.4	0.1	-	0.1	3.8	-	3.8	+ 3.7	
October 27	8.0	-	8.0	21.6	-	-	-	21.6	+ 13.6	-	-	-	15.5	-	15.5	+ 15.5	
November 3	7.2	-	7.2	16.8	-	0.1	-	16.7	+ 9.6	19.5	17.5	2.0	0.7	-	0.7	- 18.8	

Average Weekly Expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war (through November 3, 1943)	8.7 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 8, 1941.
 (c) For monthly breakdown see tabulations prior to October 14, 1942.
 (d) For monthly breakdown see tabulations prior to September 29, 1943.
 (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (f) Does not reflect transactions in short term U. S. securities.
 (g) Includes \$ 7.1 million deposited by War Supplies, Ltd. and \$9.0 million received from New York accounts of Canadian Chartered Banks.

NOV 13 1943

My dear Mr. Smith:

This is in reply to your letter of November 10, 1943, inquiring whether the Treasury's revised preliminary proposal for a Stabilization Fund of the United and Associated Nations provides for the physical delivery of the gold assets of the Fund at some central point within the geographic boundary of one of the United and Associated Nations, or whether it is contemplated that the gold assets of the Fund will remain in the physical possession of the member countries of the Fund within their territorial boundaries.

It is my understanding that the discussions among the technical experts of other countries did not touch on the point of the manner in which the gold contributed by a member country would be physically delivered to the Fund. I presume, however, it is likely, with respect to the larger countries at least, that their respective gold contributions would be kept available on earmark for the Fund at the central banks of those countries.

The discussions, as you doubtless appreciate, are still at the technical level and no definitive proposal is as yet before our Government for consideration.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Frederick C. Smith,
House of Representatives.

HW:DFR:sh
11/13/43

FREDERICK C. SMITH
NINTH DISTRICT OHIO

SECRETARY:
HENRY L. BROOKSHIRE

COMMITTEE:
BANKING AND CURRENCY

HOME ADDRESS:
MARION, OHIO

Congress of the United States
House of Representatives

Washington, D. C.

November 10, 1943

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

Dear Sir:

Some days ago Mr. E. M. Bernstein, in company with Mr. Brenner, in my office gave me to understand, in answer to a direct question, that the operation of the United and Associated Nations Stabilization Fund would be only a matter of bookkeeping, that the assets of the Fund would remain in the Central Banks and Government institutions of the member countries.

I desire from you, the Secretary of the Treasury, a direct answer to the following:

Does the Preliminary Draft Outline of a Proposal for a United and Associated Nations Stabilization Fund, U. S. Treasury Department, Revised Draft, July 10, 1943" provide for the physical delivery of the gold assets of the Fund at some central point within the geographic boundary of one of the United and Associated Nations? Or, is it contemplated that the gold assets of the Fund will remain in the physical possession of the member countries of the Fund within their territorial boundaries?

Thanking you, I remain

Very truly yours,

Frederick C. Smith
Frederick C. Smith

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China.
DATE: November 13, 1943, 9 p.m.
NUMBER: 1638

FOR ADLER FROM SECRETARY OF TREASURY.

1. Mr. Hsi Te-mou and Mr. T. L. Soong have been informed that Treasury feels that under present circumstances the 1941 Agreement should not be renewed and that Mr. Adler is being asked to resign from the Board. It was pointed out to the Chinese representatives that the Treasury feels that a stabilization agreement should not be entered into on the basis of the present exchange rate and that furthermore China does not need the financial assistance at this time. China, if it so desired, could, at some future time, raise with the Treasury the question of a new agreement.

2. The Treasury, therefore, intended to instruct you to submit your resignation to Dr. Kung as of December 31st. This will give you some time to be of assistance to the Board. The Treasury, however, has been requested by Mr. Hsi Te-mou not to ask you to resign at this time but instead to wait a few weeks until Mr. Hsi has received a reply from Dr. Kung regarding Treasury's position. Therefore, do not submit your resignation at

- 2 -

this time. It is the feeling here, however, that it is unlikely that the Treasury will change its views regarding your resignation. The Treasury is anxious that when you leave the Board, its financial position should be such as to make impossible any suggestion that the reason why the American member resigned was inability of the Board to meet its obligations. Please inform us regarding this matter.

i

HULL
(AAB)

MOST SECRET

OPTEL NO. 372

Information received up to 10 a.m. 13th Nov.

1. NAVAL.

Destroyers carried out successful bombardment in Gulf of Gaeta in support of 5th Army on 8th/9th. In the aircraft attack on convoy off Oran 11th four ships were sunk.

2. MILITARY.

Leros. At 0630 12th about 500 enemy troops were landed from 15 landing craft north-east part of Island and gained the high ground above Della Palma Bay which they were still holding at 1600 hours though they had so far made little progress. At the same time about 120 were landed from 3 landing craft North of Appetici East of Leros town. At 1430 hours about one battalion of parachute troops were dropped from 39 Ju 52's on Rachi Ridge in the centre on the three-quarter mile wide neck joining North and South portions of the Island. Enemy hold ridge, but are under our fire from high ground in vicinity. The landings were supported by dive bombing attacks and about 4 destroyers, three landing craft were sunk.

Italy. To 4 p.m. 12th, 8th Army. In the North 78th Division continued aggressive patrolling across the Sangro. In the centre Canadians occupied Agnoto thus freeing whole road Vasto to Forli.

3. AIR OPERATIONS.

Western Front. 11th/12th. Cannes, 272 tons dropped on railway centre. No cloud, excellent visibility bright moonlight. Markers well concentrated and bombing fairly well grouped on them.

12th. Fighters attacked transport in Northern France destroying 1 locomotive and damaging 13 others, as well as several barges. 1 fighter missing.

12th/13th. 7 Mosquitoes sent Northwest Germany 4 aircraft intruding and 6 anti-shipping.

France and Italy. 10th/11th. 23 Wellingtons bombed a viaduct near Genoa and 11 Liberators another viaduct both objectives hit. 17 other Liberators successfully bombed a ball-bearing works at Annecy.

Aggeary. 11th/12th. 8 heavy bombers attacked Rita airfield and 7 light bombers Kos landing ground.

OFFICE
SECRETARY OF TREASURY

1943 NOV 15 11 41 AM

TREASURY DEPARTMENT

NOT TO BE RE-TRANSMITTED

U.S. SECRET

COPY NO 12

BRITISH MOST SECRET

OPTAL No. 373

Information received up to 10 a.m. 14th November 1943.

1. NAVAL

One of H.M. Destroyers sunk off ROS yesterday by glider bomb, 6 officers and 103 ratings rescued.

2. MILITARY

Leros To 4 p.m. 13th. In the North of the Island the enemy has made slight advances inland. In the centre he reinforced his parachutists by a landing in GUANA bay 12th/13th and now controls all the neck between GUANA and ALINDA BAYS. Enemy captured APPALICI about noon 13th. By midnight 12th enemy estimated to have landed over 2000 men and about 500 parachutists employing most of them against the ALINDA-GUANA BAYS areas. Enemy sea-bombing has been heavy. More parachutists were dropped 13th.

Italy To noon 13th. By 11 a.m. 8th Indian Division had captured ATASS, and subsequently drove off several counter attacks. Canadian patrols reached village five miles Northwest of CADVILLI. 5th Army made some gains on its right flank and sustained a counter attack north of NIGIANO. No details yet. In the East coastal sector enemy has been very active and shelled the front throughout night 12th/13th.

Greece Our withdrawal in the ORLI HILLS has continued in the face of increased Japanese activity. South of FALSA the enemy has advanced further southwards towards NAKA.

3. AIR OPERATIONS

Western Front 13th. 459 U.S. heavy bombers supported by 74 squadrons of fighters were sent to attack BRUNNEN. 130 of them dropped 284 tons of incendiaries through thick cloud with results generally unobserved. 15 bombers and 11 fighters missing and 4 more bombers crashed in this country. Total of 6 fighters and fighter bombers accounted for a locomotive and a tug and damaged 19 more locomotives and 8 small craft. 7 aircraft missing.

13th/14th Mosquitoes despatched -- BERLIN 9, BOCHUM 8. All returned safely.

Italy 11th. About 400 aircraft attacked objectives in and behind the battle area, enemy casualties 4.0.4. Allied 5 missing.

11th.12th
FLORENCE

OFFICE
SECRETARY OF TREASURY

1943 NOV 15 PM 3 52

TREASURY DEPARTMENT

Wellingtons dropped 53 tons on the railway centre at PRATO near

bania 12th. 51 Mitchells attacked BERAF airfield and an oil refinery close by.

odecanese 12th. About 110 sorties were flown by JU 87 and 88 against LAROC.

12th.13th. heavy bombers attacked MARITZA airfield. Ends.

November 14, 1943

Lord Halifax was at my house tonight from 6:00 to 7:00

P.M.

On the military front, he said that for some unexplainable reason, that the Germans have recently increased their fighting planes on the front by two hundred planes. He can't understand it.

After we had covered a lot of pleasantries, I said that I felt that I would like to talk with him as frankly as I had in the past. That I was very much worried about lend-lease; that lend-lease had been originally conceived to help on the military front; that I had at the time stated that the English Dollar balance was not more than \$200,000,000. Therefore, I recommended lend-lease, and said that their balances should be allowed to go up to around six hundred million, and now that they were a billion six hundred million; that I have been trying for some time to get this reduced, but frankly I have been unsuccessful, although the President and all the other people involved had signed a memorandum that they should be reduced, but that the English had lobbied successfully with our own people, and that I thought it was a mistake. I think, after all, that looking towards the long run, it would be a tragedy if we lost lend-lease because of some abuse. Then I told him about what I thought of the abusives in the Middle East - that they were using civilian goods, and I told him what I had said to Casey; how just because we were innocent in the international field, it was no reason

why they should take advantage of us. I said that there were at least two committees - McKellar and Truman that were hot after us, and something should be done. He agreed with me and he said that lend-lease is becoming a political matter, and he had talked with Waley about it only last week, and had asked Waley to give him some facts and figures. And I said that I thought it was wise talking to him. I said, "After all, if you people would only agree with me that your balances should be cut down, I would be glad to tackle your other post-war problem of what you're going to do with your big sterling balances. I don't know whether I can be helpful, but at least we would look at it as a separate matter, and not try to use lend-lease to solve a post-war English problem when lend-lease was never designed for that." He agreed; he was very sympathetic and very much interested. I said I felt the only way to present it to him was straight from the shoulder, and that previous experiences that I had with him were entirely successful along that line. He agreed, but unfortunately he had not read Waley's memorandum, but he would, and he'd like to get together - he, and Waley and White and myself and talk it over. And then I said that I might want Stettinius, Cox and Currie and Crowley there, but that didn't seem to strike a sympathetic cord particularly, and then I said maybe the four of us better talk it over first and see if we couldn't come to an agreement. What I was practically telling him was, in so many words, that he should stop fighting me with Stettinius

and the State Department and help me solve this thing, and I believe that he will help me, because in leaving, he said, "Well, this is really a political matter, and I get the over-all viewpoint and I'd be very glad to go into the whole matter with you." I felt that I'd gotten further on this front than I had any time before, and I think this idea of mine of tackling their financial problem as separate from the lend-lease one is the proper solution and the proper approach. He made one statement which I think is incorrect; he said Waley told him that one of the reasons that their dollar balances were going up so, was because of the sending of our soldiers abroad. I told him I didn't think that that was the reason, and I want to check that myself.

11/14/43

Lord Halifax was at my house ^{tonight} Sunday night from 6:00 to 7:00 p.m.

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conceived to help on the military front; that I had ^{at} the time ^{stated that} the English ~~balance~~ ^{balance was} ~~two hundred million dollars~~ ^{therefore I} recommended lend-lease

and said that their balances should be allowed to go up to around six hundred million, and now that they were a billion six hundred million; that I have been trying for some time to get this reduced, but frankly I have been unsuccessful, although the President and all the other people involved had signed a memorandum that they should be reduced, but that the English had ~~looked~~ ^{looked} successfully with our own people, and that I thought it was a mistake. I think, after all, that looking ^{towards} over the long run, it would be a tragedy if we lost lend-lease because of some ^{abuse,} abusive.

Then I told him about what I thought of the abusives in the Middle East - that they were using civilian goods, and I told him what I had said to Casey; how just because we were ^{innocent} ~~interested~~ in the international field, it was no reason why they should take advantage of us.

I said that there were at least two committees - McKellar and Truman ^{that} were hot after us, and something should be done. He agreed with me and he said that lend-lease was becoming a ~~xxi~~ political matter, and he had talked with ^{Waley} about it only last week, and had asked ^{Waley} to give him some facts and figures. And I said that I thought it was wise talking

to him. I said, "After all, if you people would only agree with me that your balances should be cut down, I would be glad to tackle your other post-war problem of what you're going to do with your big sterling balances. I don't know whether I can be helpful, but at least we would look at it as a separate matter, and not try to use lend-lease to solve a post-war English problem when lend-lease was never designed for that." He agreed; he was very sympathetic and very much interested. I said I felt the only way to present it to him was straight from the ~~shoulder~~ shoulder, and that previous experiences that I had with him were entirely successful along that line. He agreed, but unfortunately he had not read Waley's memorandum, but he would, and he'd like to get together - he, and Waley and White and myself and talk it over. And then I said that I might want Stettinius, Cox and Currie and Crowley there, but that didn't seem to strike a sympathetic cord particularly, and then I said ~~xxWally~~ maybe the four of us better talk it over first and see if we couldn't come to an agreement. What I was practically telling him was, in so many words, that he should stop fighting me with Stettinius and the State Dept. and help me solve this thing, and I believe that he will help me, because in leaving, he said, "Well, this is really a political matter, and I get the over-all viewpoint and I'd be very glad to go into the whole matter with you." I felt that I'd gotten further on this front than I had any time before, and I think this idea of mine of tackling their financial problems as separate from the lend-lease one is the proper solution ^{and} to the proper approach. He made on a statement which I think is incorrect; he said ^{Waley} ~~Waley~~ told him that ^{of the} ~~one~~ ^{was} ~~was~~ that their dollar balances were going up so, was because the sending of our soldiers abroad. I told him I didn't think that that was the reason, and I want to check that myself.

November 15, 1943
9:44 a.m.

George B.
Parker: Yes.

HMJr: The name is Morgenthau.

P: How do you do?

HMJr: You once met me in Honolulu.

P: I think I recall your face.

HMJr: Yes.

P: How are you?

HMJr: I'm, in health, very good but not so good about you people.

P: Uh huh.

HMJr: If you want a thoroughly uncomfortable fifteen minutes I invite you to come over to see me.

P: Well, I'd be delighted to see you at practically any time you would name.

HMJr: Yeah.

P: I'm -- I've got a little bit of a sore throat today and was planning on staying in.

HMJr: Well, it can keep.

P: Well....

HMJr: When you feel better do you want to have your secretary call me?

P: Well, now....

HMJr: And read the thoroughly dirty editorial that you people wrote last Saturday. I've -- because I want to -- I mean that seems to cap the climax.

P: You mean the....

HMJr: What?

P: You mean the one of last Saturday?

- 2 -

(See page 39-D)

HMJr: The one that starts, "At the svelte Statler, within hog-calling distance of Treasury's Henry Morgenthau and others touted...."

P: I know the piece.

HMJr: "...as experts of the legal public pocket-picking...."

P: I know the piece.

HMJr: Well, if that isn't out....

P: Well, now listen, don't lose your sense of humor.

HMJr: No, but after all, I have a job to do. You come on over if you want to.

P: I'll be delighted because that's -- suppose I call your office and maybe this afternoon or tomorrow sometime, depending on whether this damn throat....

HMJr: Yeah.

P:clears up. That's the only thing that's worrying me.

HMJr: As long as you can hear all right that's all I want.

P: You want a listener?

HMJr: Yeah.

P: Huh?

HMJr: Yeah.

P: (Laughs) That's what the world needs more of.

HMJr: Yeah.

P: Well, say, is it all right if I just....

HMJr: Sure.

P:come over.

HMJr: Sure, this has been going on for years but this was just a little bit more out of the pigsty than anything else.

P: Well, suppose I call up then within a day -- today or tomorrow.

HMJr: Sure.

P: Okay. And if it isn't convenient at the hour I suggest, you name the poison and the time.

HMJr: Okay.

P: And I'll drop in to see you.

HMJr: Thank you.

P: Bye bye.

Washington Daily News
11/13/43

A LEGEND DIES

39-D

RIGHT into the heart of our Capital City, soggy with sophistication, bulging with whole bureaus of brains, with wise guys in every field of human madness whetting each other's cerebration by brilliant sallies at office, cocktail bar and home, right into all this marched modernized J. Rufus Wallingford.

At the svelte Statler, within hog-calling distance of Treasury's Henry Morgenthau and others touted as experts at legal public pocket-picking, this gent ensconced himself grandly, commanded rooms for Hollywood deities, male and female, bounced buna checks (rubber is out for the duration), ordered orchids on the cuff, and, with a fine talent for mixing mischievous whimsy with his skulduggery, bamboozled members of the cast of "Sons o' Fun," currently at the National, to appear on the Capitol steps for an imaginary screen test at 7 a. m. last Sunday—an hour most repugnant to show folks east of the Rockies.

He had a just dandy time.

He met his come-uppance in Chicago today, at the hands of the long-armed law, but where is the legend of our all-wise Washington? We will tell you. It is as flat as the bottom pancake. The genus sucker is spawned in the tepid Potomac as well as in the hinterland's cool streams. Ah, walladay!

Mr. Smith, Who Took Capital, Is Taken by FBI

(See editorial, "A Legend Dies," on Page 12.)

"Mr. Smith," who came to Washington and took it away with him, came to the end of his impish tongue-in-cheek career of crookedness when he was arrested today in Chicago.

He was held under \$5000 bond after he pleaded guilty to passing fraudulent checks when arraigned before U. S. Commissioner Walker, who continued the case until Monday to allow time for formal charges to get from Washington to Chicago.

And FBI Chief J. Edgar Hoover, in telling all about it, simultaneously disclosed that the little guy with the short leg who proved that sophisticated Washington is just a city of saps ready to fall for any skin game, is a former \$16-a-week clerk for the Capital's Goodwill Industries, a charitable organization dedicated to help handicapped people to help themselves.

He began work for Goodwill as an elevator operator in the spring of 1940. He was made a sales clerk and disappeared in the fall of 1940 but he didn't blink anyone there, it was said.

But a lot happened between the time of that clerkship and "Mr. Smith's" latest descent upon the city when he raked the plush Statler Hotel to the tune of \$1442 and made cynical members of the Olsen and Johnson "Sons o' Fun" cast believe he was a Hollywood movie executive come to put their names in still bigger electric lights.

MAN OF MANY ALIASES

Mr. Hoover disclosed him as a man of many aliases whose machinations in times past included negotiations to buy a \$65,000 house in Chevy Chase, Md., for which he tendered a worthless check for \$2500 under the name of Dr. Arthur W. Rogers. That was way back in 1929.

His real name, the FBI chief said, is Arnold Lester, 43, a native of Los Angeles but of no permanent residence



Mr. "Smith," who took the Statler Hotel, stars and chorines of the "Sons O' Fun" show, and undoubtedly others for hundreds of dollars here recently, really is Arnold Lester, whose arrest in Chicago by FBI agents was announced by J. Edgar Hoover today. Above, center, is the "respectable" Mr. "Smith," who almost bought a \$65,000 home here. Right, and left are Rogue's Gallery photos showing how Mr. Lester looked to police cameras.

in recent years unless one goes back to the year of the Chevy Chase deal when he spent a year and a day in Lorton for stealing an auto and obtaining money under false pretenses.

After leaving here last Sunday, amid a trail of broken hearts, FBI reports, he went to Baltimore, registered at the Central Hotel as "Harry Lester" and checked out Wednesday barely two hours before G-men knocked on his door there.

From Baltimore he hot-footed it to Toledo, O., then to Chicago until Armistice Day, when he doubled back to Toledo. Yesterday he returned to Chicago where FBI agents arrested him in a downtown hotel.

"Mr. Smith" freely admitted cashing checks at the Statler here, Mr. Hoover said. They were drawn on the Hollywood branch of the Bank of America.

He further admitted he falsely represented himself as a talent scout for Warner Brothers and that there was no basis for his contention that sev-

eral Hollywood stars were en route to Washington to star in the "Mr. Smith" creation, "Capital Capers."

OLSEN IS SORRY

"I kinda feel sorry for the guy, Ole Olsen of 'Sons o' Fun' said when informed of the arrest. "I'd like to talk to him again to see what kind of a bird he was to pull those stunts on the chorus girls. But, brother, when they see the FBI on you, you may as well give yourself up and save trouble."

"Mr. Smith" was identified by his fingerprints for past transgressions which reveal arrests dating from 1920.

As "M. E. Wilson," Mr. Hoover said, he cashed worthless checks at a Boston hotel. And his New York victims, incidentally, include the New Yorker and the Astor hotels, according to the W. J. Burns Detective Agency, which gave the law information as to where he might be located in Chicago. It was at the Sherman.

Posing as Dr. Arthur W. Rogers, son of a wealthy Martins Ferry, O., resi-

dent, "Mr. Smith's" record shows he appeared in Washington in 1929 in an auto stolen in Cleveland. He pretended he wanted to study tuberculosis at a hospital here and negotiated to buy a Chevy Chase house for \$65,000 and furniture for \$40,000. The "bind the bargain" check for \$2500 on a Buffalo bank came back "no good."

But meanwhile he had prevailed on a Washington hotel to cash a couple of worthless \$200 checks. He then disappeared.

Later in 1929 he was caught, and after serving a year and a day at Lorton, "Mr. Smith" next was heard of by the FBI in 1940 when he attempted to solicit charity contributions under the name of William Rogers. He had devised a scheme, Mr. Hoover said, for collecting funds to be used to aid paroled convicts and had used names of prominent Washingtonians to further his plan.

He was employed sometime during this campaign by the Goodwill Industries Inc., Mr. Hoover said, at \$16 a week, but represented he was getting \$15,000 a year for aiding paroled convicts.

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"He is 43 years old, 5 feet 10 inches tall, 160 pounds, brown hair, hazel

eyes and a deformed left leg. He wears glasses."

Detective Sergt. Dewey Guest, head of the District police bad check squad, today said the Burns agency circular also was sent police departments in May and was promptly scrutinized when the police learned of Mr. Smith's Washington activities.

"The photo of Walsh on the Burns circular, has been identified by at least 20 persons as being that of Mr. Smith," Sergt. Guest said.

United Press dispatches from Chicago said Mr. Smith will be returned to Washington after arraignment before a U. S. Commissioner there. Jail doors will await him, but the chorus girls whose movie career hopes he built, then shattered, including Shannon Dean, his "Orchid Girl," will not be here to meet him. The show must go on—to Pittsburgh.

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FBI AGENTS AT SHOW

Last night FBI Agents Bell and McGiven went backstage of the "Sons O' Fun" show to ask questions about the fugitive while the audience was laughing at Mr. Smith gags in the show, including one of an actor with a shotgun and an FBI sign on his hat asking persons on stage and in the audience, "Are you Mr. Smith?"

Back in Ole Olsen's dressing room Fay Wilson, chorine, was shivering when she faced the FBI men, "and it's not because I'm cold," she explained. "I am just scared to talk to G-men."

"They were polite tho and asked me a lot of things," Miss Wilson said later. "One of them was kind of cute. I told them about a man in New York who skipped from the Hotel Astor. When I learned Mr. Smith was a phony I hit myself on the forehead and said, 'I'm a dumb Dora, why didn't I remember about the man with the limp when Mr. Smith promised me \$25 a day and a card in the Screen Actors Guild?'"

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

November 15, 1943

TO Mrs. Klotz
FROM The Secretary

Let Harry White read this memorandum ^(p. 34) in connection with my conversation with Halifax but I want to guard this very carefully and I don't want this memorandum to go out of your office, please.

November 15, 1943
11:30 p.m.

DISCUSSION OF SPEECH DRAFT

Present: Mr. Herbert Gaston
Mr. Fred Smith
Mrs. Henrietta Klotz

(Draft of speech read by Mr. Smith, copy attached.)

H.M.JR: I think it is a swell talk.

MR. SMITH: It still has to be fixed up. There isn't very much about the trip in it.

MR. GASTON: I like it very much.

H.M.JR: I think it is a little bit too long, but I think it is swell. I think you have done some very nice skating on thin ice.

MRS. KLOTZ: How long is that?

MR. SMITH: It isn't radio time, but it is about twenty-five minutes.

MRS. KLOTZ: If it will hold their interest--

H.M.JR: I think it peters out a little bit at the end.

MR. SMITH: I think it does, too.

MR. GASTON: You might revert to this thing of what we are fighting for. Two things occurred to me. There is one place there where you use a phrase that seems to indicate that the horrible thing would be to have the war end soon, instead of your meaning to say that the bad thing is to have these notions that there is to be an early end, when, in fact, there isn't.

MR. SMITH: I did say definitely "prematurely." I said that intentionally.

MR. GASTON: There is just one sentence there that is open to a few suggestions. I think this, that you might emphasize a little stronger the dangers of a premature peace; that is, a peace which wouldn't settle the thing that we

- 2 -

are fighting for. Then in the stuff about pacifist sentiment, I think that is a little too bluntly, too crudely stated--that people just didn't know, people didn't understand, people had to be told what really was going on.

MR. SMITH: I think we can do that.

H.M.JR: I think there is something else on the war ending. I think this--what we can say is this: I think you can put it this way. When I came back from my trip to England a year ago last October, I came back optimistic to the extent that I felt we were going to win the war. This time, having been actually at the front, I came back in a much more serious frame of mind, and was shocked to find wherever I go this idea that the war was going to be over quickly.

Now, certainly, reviewing the thing from the ground--the Army--there is no evidence of a quick termination, or any evidence that the German nation is going to quit. But, of course, there always is the possibility that due to a bombing from the air maybe they can't take it. However, when we talk about an early peace, we are playing Hitler's game; and we have everything to gain, whether it is in production or borrowing the money to pay for it, to take the attitude that this is going to be a long war. That should be our attitude, but if we get ourselves in the frame of mind that it is going to be a short one, we may defeat the very possibilities that it may be a short one. There always is this possibility from the air that the German people may not be able to take it.

MR. GASTON: You want to avoid trying to make them think you really think the war is going to be over quite soon; but it is better as a matter of policy not to tell the people that.

H.M.JR: No, but there is this possibility--that the German people, as distinct from the German ground troops--as best evidenced by what we are up against in Italy--that maybe the German people can't take it. But I haven't met anybody in Washington who can give me any evidence that the German people are ready to quit; therefore, you advertising men who can contribute so much to production and assist the Treasury--your Government borrowing--must keep up a full speed

- 3 -

thing that this is going to be continued for a long time.

Now, there is another thing about it I don't want to say, and that is the Frank Knox note. I don't want to say it, frankly.

MR. SMITH: What is that?

H.M.JR: It's what I call the Frank Knox theme. Frank Knox is Secretary of the Navy, who says that we have got to bring this thing to a finish and we have got to crush these people and we have to bring it out of German soil and we have got to kill Germans. I'd rather let Frank Knox say it; I don't want to. There was a little bit in your speech, that we have got to bring this home to the German people and it has to be a long war in order to bring it home to the German people; we have to kill German people and burn German homes and we have got to kill Germans on German soil, and therefore it has got to be a long war in order to accomplish it. I don't want to say that. I don't want that tone.

MRS. KLOTZ: I have the theory from the whole thing that it is going to be a long war. Well, it may not.

H.M.JR: That is what I am saying. But there is this other thing which some people say, that there has to be a long war in order to bring the thing home to Germany. I don't want to say that.

MR. GASTON: You can take a quite different view--that it has got to be long enough to clean it up. In other words, it has got to be long enough to be a decent and satisfactory peace; that we can't quite prematurely leave things as they are.

H.M.JR: I don't even think it is necessary for me to say that, Herbert.

MR. SMITH: That is what is said here.

H.M.JR: Herbert, I don't think it is even necessary for me to say it.

MR. GASTON: Because you are going to have these offers of peace, you know.

November 15, 1943
12:00 Noon

HMJr: Hello.

Randolph
Burgess: Hello, Henry.

HMJr: Randolph, first and most important, how are you?

B: Well, I'm pretty well. I got home Saturday and I move a little like an old man....

HMJr: Yeah.

B:and I'll be home for the next couple of weeks.

HMJr: I see.

B: But I can do a good deal from here of course.

HMJr: You can?

B: And I'm coming along all right.

HMJr: Are you -- you don't mind being bothered a little bit on the phone?

B: Not a bit. I'm glad to.

HMJr: Well, the thing right now, Randolph -- I don't know whether you can -- the siren's blowing -- it's twelve o'clock in Washington.

B: (Laughs)

HMJr: I don't know what it is in New York -- but the thing that bothers me the most right now is -- and I'd like to talk to you a couple of times in the next few days....

B: Yeah.

HMJr:is that--this question of how we sell the bills.

B: Yeah. Yeah.

HMJr: And -- the boys have given you that story?

B: Yes, Murray Shields talked to me Saturday.

HMJr: Well, are you satisfied that this proposal we are making on the bid and ask is the way to do it?

- 2 -

- B: Well, I'm not quite sure that I know what you mean by that.
- HMJr: Well, that we get back so we have a bid and ask market instead of just having a market at which -- where the Federal goes and tells the banks, "You buy twice as much as you need and we'll buy back half of it."
- B: Yeah. Yeah. Well, I think in general the situation is pretty good. I think it would be better if that rate were allowed to go a little bit higher. I mean if -- if the rate at which some of the bills were "bid and" by the banks and the others were a little bit above the Federal Reserve buying rate.
- HMJr: Yeah, well, that's what we're talking about.
- B: Yeah. Now, I don't know.
- HMJr: We're....
- B: I haven't talked to Allen and I haven't talked to Rouse and whether that's practical or not, I don't know.
- HMJr: Yeah.
- B: I think it is. I think they could -- they could let that rate go a little bit and it would improve the situation.
- HMJr: Well, that's what we had in mind.
- B: Yes, but I'm a little bit reluctant on that judgment because I haven't talked directly to Allen or to Bob Rouse and they're doing the operation....
- HMJr: Yeah.
- B:and it is always a little difficult when you're removed from the operation....
- HMJr: Yeah.
- B:to make sure that the thing is practical.
- HMJr: Well, let me see how this thing goes along today. We're explaining it to the group from the ABA, you see?

- 3 -

B: I see. Yes.

HMJr: And I'm -- what is a good time -- is there any time that you'd rather not be called? Do you rest during the day?

B: Well, I usually rest a little while after lunch.

HMJr: All right, well then that time I'll not disturb you.

B: But any time after ten o'clock in the morning and -- or in the -- in the middle or late afternoon is all right.

HMJr: Well, I'll be calling you back again because in the next couple of days we've got some very difficult decisions to make.

B: Henry, the thing that -- the thing that I am most concerned about is this....

HMJr: Yeah.

B:I think that the money-market problem....

HMJr: Yeah.

B:arises very largely from the way the drive was conducted last time.

HMJr: Yeah.

B: You see, New York lost a billion four hundred million dollars to the interior.

HMJr: Yeah.

B: And that creates the money-market problem.

HMJr: Yeah.

B: That arose because corporations were transferring money to other districts in order to subscribe.

HMJr: Yeah.

B: And that was wholly due to the fact that we had this....

HMJr: Allocations?

B: Well, the allocations and the -- and the credit.

HMJr: I see.

B: You see the quotas for these districts included subscriptions of corporations which they didn't -- they, instead of going out and selling bonds to individuals, scooped in money from New York.

HMJr: Yeah.

B: Now, the most important thing is to make sure that we don't do that again.

HMJr: I see.

B: Now, I've talked to Ted this morning and I'm very much disappointed that -- with present proposals....

HMJr: Yeah.

B:because I think they open the way to exactly that same thing again.

HMJr: Well, now let me -- I'll be talking to you in the next couple of days and you may -- I may be bothering you a couple of times a day.

B: Okay.

HMJr: And as we go along....

B: Yeah.

HMJr:but it's just the kind of thing that you have been saying now that I want to talk....

B: Yeah, that's right. Well, I'll be delighted to talk about it and I'll give some thought about it.

HMJr: All right.

B: I'd rather like to talk to Allen, too, if you don't object about some of these general problems....

HMJr: I'd be....

- 5 -

B:without....

HMJr: No, no. Do it.

B: Yeah.

HMJr: By all means.

B: Fine.

HMJr: Thank you.

B: Very good, Henry. I was much interested in your trip to -- to Africa.

HMJr: Yeah.

~~B:~~ I thought the stuff you sent over was excellent.

HMJr: Thank you, so much.

B: It must have been very interesting. How are you feeling?

HMJr: Fine.

B: Did -- you got a rest out of it, did you?

HMJr: Yeah.

B: Funny way to rest.

HMJr: Got a mental rest.

B: That's right. Yeah.

HMJr: From the battle of Washington.

B: Yeah.

HMJr: That's the bloodiest battle I know.

B: (Laughs) Very good, Henry.

HMJr: I'll be seeing you.

B: Right. Bye.

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(The Secretary takes a telephone call from Mr. Randolph Burgess, New York)

H.M.JR: Let me get through this. There are too many thoughts in this speech--but it is a damned good speech.

I think I can perfectly well tell the people of this country through this group that we are playing Hitler's game when we talk about this being a short war. Period. And I don't have to go on and say any more, see, because I open myself up to people saying that I want revenge, and this and that. I don't think it accomplishes anything. Think about it. I think it is just as effective to say from a worm's-eye view of the ground troops, this is a long war and there is always an outside possibility that through the air the German people, as opposed to the ground troops, can't take it; and I suppose that is what this optimism was based on. But nobody I have talked to gives you any guarantee. Therefore, let's advertise, let's sell the war; let's increase our production. In other words, let's saw wood.

Now, if this thing should happen from the sky--if it did fall on us--wonderful! But if it doesn't, we are all right. Now do you get the point from my standpoint? You see, I don't want to say do this and this and this.

MR. GASTON: There is another phase of this thing here that I think seriously needs to be fixed. It conveys the impression that the people didn't want this war and that we played some pretty smart tricks to get them into it. I think that can be handled in a little different way. The people didn't realize the danger.

MR. SMITH: I think it has to be.

H.M.JR: There is a little bit too much William Allen White.

MR. GASTON: As if we conspired to shove the people of the United States, with the help of the advertising men, into a war they didn't need to get into. That would be quite dangerous.

H.M.JR: Now, there is one thing you are telling me which is new: did we do the rifle thing before the destroyers?

- 5 -

MR. SMITH: That I don't know.

H.M.JR: You say Lend-Lease was born then. It was born with the destroyers. Which came first?

MR. SMITH: As I got the thing, going over it hastily, actually Lend-Lease was born because that was what Lend-Lease eventually was based on. But it wasn't called Lend-Lease.

MR. GASTON: Didn't the cutters precede the destroyers?

H.M.JR: No, they came afterwards. They said after the destroyers, "What else can you give us?" I said, "Cutters." The destroyers came first.

MR. GASTON: The rifles came about the time of Dunkerque or after.

MR. SMITH: Immediately after.

H.M.JR: You had better check that. Then I am going to be generous and not do what Stettinius did. The fellow who sat here--I don't know who discovered that 1815 law.

MR. SMITH: Oliphant did, according to my records.

H.M.JR: Then let's give Oliphant the credit in all my talks. I like to do it. I always mention names. Do you remember when the President used to talk about what we did in the woods? He never would mention my name in the speech at all. Do you remember?

MR. GASTON: Yes.

H.M.JR: And if it was Oliphant who discovered it, let's give him the credit. Let's also say that afternoon when we sat here, the then Solicitor General, Mr. Biddle, was here at that meeting.

MR. SMITH: Yes.

H.M.JR: If I put it in, then he can't say, well, he did the whole thing, see? You can say we were helped by--

MRS. KLOTZ: As I remember those things--

- 6 -

H.M.JR: Biddle came here from the Supreme Court. He was wearing his Court suit. He gradually took off his coat and vest and tie and stayed right through the night.

MR. GASTON: Fred, what would you think of starting the speech talking general terms about there is a lot more to do handling these details first, and then using the long war proposition for the conclusion of the speech?

H.M.JR: (To Mrs. Klotz) Will you make that note, please?

MR. SMITH: Well, the only thing that means the way it is now it is pitched entirely on the long war. You immediately say to these people, "Look, we're in trouble and you can help us." And then they are your friends.

MR. GASTON: Yes, I think that is probably true.

MRS. KLOTZ: My point is this: When you mention all these people the feeling I get--I may be wrong--is those people discovered these things and brought them to you; whereas you really started the work on all this and then found you couldn't do this and then you put these people to work. Do you see? I get it differently.

H.M.JR: That is true. I took the initiative.

MR. GASTON: You could just say we were able to find it.

MRS. KLOTZ: Didn't stop until you found it.

H.M.JR: Well, I think if you re-read that, there was a stenotype operator on it, wasn't there?

MR. SMITH: It is all there. I haven't read it thoroughly, as I say; but I'll go over it.

H.M.JR: I agree with Herbert, that I think it is excellent for a first draft. I like it enormously.

MRS. KLOTZ: The beginning is wonderful, if you could end up on that--

MR. SMITH: Well, I think we can conveniently swing back

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to it. I hesitate a little bit to start out differently from this way, because I was telling Herbert, you are saying to these people, "Now, look, we are in trouble and you can help us." From then on they are all with you a hundred percent. You have them tied down.

MR. GASTON: You can swing into a little eloquence at the finish about what we are fighting for.

MR. SMITH: Yes, on this stuff you gave a minute ago-- it will work right in at the end.

H.M.JR: When can we do it again?

MR. SMITH: I'll go right back to work on it now, and I have to check on these facts.

H.M.JR: I am free tomorrow morning, the very first thing. I'll be ready, say, by nine-fifteen.

MR. GASTON: When is this to be given?

MR. SMITH: Thursday night.

H.M.JR: Can I have a look at it between now and nine-fifteen?

MR. SMITH: If it is physically possible.

H.M.JR: Otherwise, you people come back tomorrow.

MR. SMITH: I'll certainly have another draft sometime tonight. I can get it to you.

H.M.JR: All right, Smith and Gaston, nine-fifteen tomorrow morning. That is a good start. I don't have to worry

MR. GASTON: You are going to deliver this in New York?

H.M.JR: Yes, why?

MR. GASTON: I was planning to go to New York, if it is all right with you, Friday afternoon.

H.M.JR: Would you like to go to the thing Thursday?

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MR. GASTON: It would be a good idea, if I can change my transportation; I'd leave Thursday.

H.M.JR: We are going in a plane; you can go up with us.

MR. SMITH: You don't need any monkey-suit or anything.

H.M.JR: Give them Gaston's name, if he is going to be up there.

MR. GASTON: Thursday afternoon. Fine.

H.M.JR: All right. That's nice.

MR. SMITH: Will you give me that part where we were discussing this speech as quickly as possible? (To reporter)

Draft #4

Gentlemen:

I am glad to have this opportunity tonight to talk to the Nation's leading advertising people, because I have confidence in the ability of advertising men to bring the facts of the war to our people. And today, perhaps more than at any time since the war began, there is a vital job to be done on that front.

The dangerous dream of a quick end to this war grows more serious every day. It is particularly pressing right now. On every hand we see a surge of activity to prepare for post-war. The stock market has been in a steady plunge ever since word first got around that Germany is about to crack. The newspapers report the coming collapse of Germany. In Washington the exodus to after-the-war jobs has started in earnest.

Frankly, Gentlemen, I don't know what the optimism is all about. The people who are hailing an early cracking up of the German nation have not talked to German prisoners, I can assure you of that. I had some first hand reports on the state of mind of prisoners when I was in Naples. They are mighty stubborn and cocky. They believe in Adolf Hitler, and say the Russian campaign is the fault of his generals. They don't understand when you talk to them about Democracy. They say: "What? A nation without a leader? That is chaos. Our nation must have a leader." Then if you pursue the subject of their

- 2 -

present leader, they may admit that he is not perfection - but he will have to do until they can find another. And -- get this, gentlemen -- they say their next leader will win the next great war. So here they are -- defeated and lost -- and already planning another assault on civilization.

That's the reason why we must concentrate on keeping the war sold. We should be heaping tragedy upon all generations to come if we permitted this war to end prematurely.

I was in Italy less than a month ago. I went with General Mark Clark up to the front lines. I drove in a jeep through the mountains to a spot within a mile of the Nazi troops. I went through a small village -- or what had, a few days before, been a village - called Dragoni. It was still smouldering. American bulldozers were busy clearing debris out of the streets so that our supply trucks could get through; and at one spot our jeep had to climb high over a pile of masonry and stones that the day before had been a public building. That was about all there was left of Dragoni -- that huge pile of wreckage. It was the same in a half dozen other small towns that we passed through and it happens because the Nazis don't like fighting in the open. They run from building to building, and Mark Clark's Fifth Army or Jimmy Doolittle's planes simply have to take the buildings down around them. It is, I can tell you, a mighty slow and difficult process.

- 3 -

Since I left Dragoni, the Allied Armies have managed to get ten miles closer to Rome. Ten miles, that's all. Ten bloody, hard-earned miles. But no army in the world could move any faster over the mountainous, overgrown terrain of Central Italy. It will be almost a miracle if we are in Rome before Christmas.

And that's the picture on the Italian front while we, back here, are congratulating ourselves on polishing off the war in a hurry.

But even that's not the whole story.

The weather is closing in over there. Our troops may be without air protection more of the time than they will have it, and they tell me that air protection is just about the most important single factor in modern warfare.

I talked to General Doolittle about that in Tunis. In his war room lined with huge maps of the entire Allied battle front, he showed me how aircraft are dispatched almost on a moment's notice to any fighting sector to take care of difficult enemy implacements or stubborn resistance. Just two days before I arrived in Tunis, Doolittle said, General Montgomery was caught in what might have been a serious trap had it not been for the medium bombers that he called to the scene.

In an hour or two the bombers had done what General

Montgomery's artillery could not have done in days -- if indeed Montgomery's ground forces could have done the job at all without heavy, bloody losses ! This was only one case that Doolittle pointed out where a probably minor defeat had been turned, through immediate air support, into a victory.

But now the winter is here, and the weather is closing in, and Jimmie Doolittle and Air-Marshal Tedder cannot send ships anywhere, at any time, on a moment's notice, as they did this summer. Is there anything optimistic about that?

Or, is there anything optimistic about the fact that the allies have still not dared to cross that narrow strip of water called the English Channel, for the simple reason that the other side is lined solidly with sudden death? Can anyone really think it is going to be easy to bring Germany to her knees in unconditional surrender while her troops are solidly planted almost within spitting distance of Great Britain?

But, because the Nazis promise, through the^r propaganda bureau, to fold up; and because we'd like to get on with the peace, too many of us are getting eager to sidetrack the main job.

Personally, I think it is serious enough to call for somebody to do something; and I came here tonight because I think you can help -- you advertisers and advertising people who have the talents and the facilities and the genius to make the

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American people understand the true facts, and to encourage them to do something about it.

I gave you a job once before, you will remember. Representatives of your group came to Washington a year ago and I told them, if I recall correctly, that we were faced with the biggest selling job in history with practically no precedent to go on.

Through your advertising council, you secured the volunteer help of the most capable advertising people in the United States and went to work. I think everyone knows what a splendid job has been done. In the Third War Loan advertisers sponsored in the daily newspapers, 88,947 Third War Loan advertisements, for a total lineage of 61,573,588 lines, at a cost to themselves of \$6,697,558. Two thirds of the advertisements were prepared by the advertisers themselves, and one third were prepared for us by the War Advertising Council.

Practically all of the 10,000 weeklies carried sponsored advertisements throughout the Drive.

In daily and weekly newspapers, business supported the campaign with \$8,639,540 in space.

On the radio you did a magnificent job. The National Broadcasters Association tells me 3,382 hours of radio time and 200,000 announcements (valued at \$12,000,000) carried Third War Loan messages to the public, throughout the days and nights

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of the Drive. Through the Allocation Plan and additionally contributed time, advertisers played a most important part. You gave us the use of your best radio audiences.

At least \$3,000,000 in magazine space was contributed to war bond advertising. This was provided by both advertisers and the magazines themselves. It should be of interest to you to know that 250 general magazines, 56 farm journals and 450 business and trade magazines each contributed a full page.

Advertisers and the Outdoor Industry provided by all odds the most expansive outdoor showing of all time on a given campaign. I am told this had a value of \$1,700,000.

This 3 week campaign provided by advertisers would have cost a commercial advertiser \$30,000,000.

Expansive and intensive as the campaign was, the National Cross Section Public Opinion reveals that still 10% of the people did not know there had been a Third War Loan Bond Drive. It did show, however, that the advertising had made the 90% understand that extra bond purchases were the measurement of participation. This was an important contribution, for in previous Drives, too much of the public took the position "They don't mean me". Last April one in five bought extra bonds. In September, one in three bought extra bonds - and the overwhelming reason given by the other two-thirds was that they could not afford it. You see, therefore, something of the job

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advertising has done.

But you may be interested to know that my experience with advertising in connection with this war started before the War Loans.

It started back in the days when a handful of us who knew the war was inevitable, were trying to get the country ready for it.

In those days, as Gallup polls pointed out, the Nation was ninety-six percent pacifist, and overwhelmingly, violently isolationist. It was not easy to take steps that looked, to an American public that had been fed on a diet of isolationism and facificism for twenty years, like an invitation to war.

Today everyone everywhere agrees that we were scheduled on Hitler's program as much as Poland, Czechoslovakia, or Britain. But things were different then.

Even after Dunkirk, for example, the American people would have no part of war.

Here was the very moment when the light of civilization came nearest to dying, perhaps forever. The British were desperate. Their entire future, their whole defense depended upon getting material, and getting it quickly. What they needed immediately was rifles. Every able-bodied man in England had to be prepared to fight off invasion. But in all of Britain there were no rifles for these men, and you can't stop Nazis

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with sticks and stones. They cabled to us for help. Somehow, by some means, couldn't we get them some rifles -- thousands of them -- and get them there before the Nazis came?

General Marshall brought the cable to my office. We had rifles from the last war, and new rifles -- millions of them. But George Gallup was reporting that almost nine out of ten people believed we could keep the peace by ignoring the war and not doing anything to aggravate Mr. Hitler. So General Marshall and I knew that public sentiment would not let us hand guns over to the British to help keep the Nazis on the other side of the World.

But by midnight, we had found a way. We discovered a law, passed and forgotten in 1815, which gave to the commander-in-chief of the American Army the privilege of lending equipment to a belligerent if, in his estimation, the fate of the Nation was involved. So, the commander-in-chief legally loaned rifles to the British. Britain was armed and, as a coincidence, lend-lease was born.

It was back in these days when we were struggling with public sentiment that American advertising men first came to the aid of their Government.

At the time that we wanted to trade over-aged destroyers for nearby bases, we needed the backing of public sentiment. William Allen White volunteered to tackle the job of conditioning the electorate; and his first move was buying full page newspaper advertisements, and commissioning some of you advertising men to develop a campaign. You were pioneers then. You were pioneering on the biggest job of reversing public sentiment in history, and you were pioneering too, in giving advertising the dignity of social responsibility.

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Later, you did another job. This was the time when Nazi U boats were preventing our shipping from reaching its destination. An advertising campaign was planned by you ad men with the theme -- "Okay, Mr. President, go ahead and clear the Atlantic."

That was the first time that the President had been urged on in his battle to get us prepared and to keep the war away from our shores. I can tell you it was very heartening and very encouraging.

We needed the support you were building. We found out how badly we needed it one day when a representative of the French Air Force cracked up an American airplane in the west. Perhaps you remember it. Almost before the gentleman had bailed out, I was hauled up before the Senate, and asked to defend myself for helping the French to purchase, for cash, American airplanes for use in the war. As it eventually turned out, these early orders for American equipment set up our plants for defense and gained precious months of time for us. We all know that now, but I can assure you the Senators didn't believe it the day that Pierre Dubart fell out of that airplane.

Public sentiment is much changed now. Today the Nation is not only solidly behind the war, but has gone on record as wishing to take responsibility in helping keep world peace.

Much of the change was due, of course, to the Jap attack on Pearl Harbor; but, even after Pearl Harbor, George Gallup reported that 67 per cent of the people still would not subscribe to the idea that the European war had very much to do with us.

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The striking reversal of public sentiment from narrow isolationism to a complete acceptance of International responsibility is a monument to public education. And you, here in this room, had as much to do with that education as any other group of people.

One of the chief channels through which this has been achieved, in my judgement, is the job you have helped do in promoting war bonds.

We in the Treasury have always seen selling the war as a basic part of bond promotion, and you have subscribed to this belief. We hit a high spot in this job, I believe, the day the Third War Loan opened, which was the day Italy surrendered. We wondered what the effect would be on the drive. We were not long finding out. One of our State Chairmen called up and said: "Well, I guess the Third War Loan is off -- the war's over and there's no need to raise money."

So we called Ted Replier of the Advertising Council, and he went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front Defeat?" And it testifies to the smooth working arrangement between your people and ours that the ad ran the next day in hundreds of newspapers throughout the Nation. It must have had a sobering effect on a lot of people, because we didn't get any more phone calls.

During the past few months I have been thinking about two other jobs that need to be done if we are to continue to improve the efficiency of our war effort -- both here and overseas. They take on a new importance today in view of the optimism which makes it hard for us to keep our eye on the ball.

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On my recent trip to the front, I made what seemed to me to be a startling discovery. Our troops over there have very little idea of what is going on back here. Their sources of information are meager, and not very reliable.

I left New York on October 12, and the New York Times that I bought that morning was the only American paper that I saw until I arrived back in Puerto Rico three weeks later. When I turned to the radio overseas for news from home, I discovered that you can't get news that way either. We at home get news six times a day from all the battle fronts of the war, but our boys get no news from America through Allied radio stations abroad. News comes to them through BBC, but British news reporting holds little satisfaction for the average American soldier.

Therefore, I want to suggest to you tonight that you use your facilities and your ingenuity to get American news abroad, and get it there every day. Get it there while it is hot, and get it direct from home. Some of you have worked with the Army, the Red Cross and other agencies, to get American things to American soldiers abroad, and it has done a great deal of good. But there is no substitute for American news. I hope some of you will take that as an assignment. I can tell you that it will be appreciated by every American soldier away from home, and by their officers too.

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Then, there is another job that needs to be done, quickly and thoroughly.

We need to do a really good job of selling the war and increased production to American men and women on the production lines.

To put it in your own lingo, the chief commodity that we have for sale today is increased war production; and the most important group of customers today are those who can increase that production if their enthusiasm and interest can be stepped up.

During various bond drives I have visited many American factories. In virtually none of them is a thorough advertising job being done to sell the war and increase production to the men and women at work. In the few exceptions which I have investigated, it seems to have been proved beyond doubt that a good job of creating enthusiasm and interest through advertising methods has paid off in increased production, in less absenteeism, and in better plant morale.

One of the outstanding examples that I have seen is the Packard plant in Detroit. Like other corporations with a peace-time trade mark to preserve, Packard maintains an advertising campaign to the general public. But it's not doing this at the expense, and to the unfortunate neglect of

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its thorough-going advertising campaign to the people who make Packard products for war.

I have been told that Packard went to work on this job early in the war. They were among the first to understand that a workman cannot get enthusiastic about working on some small assembly that he can not imagine as an implement of war. To counteract this, Packard took their people down to the water front and showed them PT boats in action -- PT boats powered with motors, built by Packard workmen from thousands of parts that each individual workman was himself creating.

The Packard plant today is alive with posters and signs and slogans about the war. While visiting the plant, I told President Christopher how we came to bring the Rolls-Royce motor over here from England and what a difficult time we had ~~in~~ getting an American manufacturer to take on the vital job of making them. I reminded him how Packard set to work, and finally wound up building so many Rolls-Royce motors that we not only fill all our own requirements, but ship many back to England so they, over there, can step up their production of Lancaster bombers and fighters.

It's to the credit of the organization that this story was immediately given to the workers -- dramatized in a dozen different forms, brought to them in a dozen different ways.

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The result is that every man and woman who manufactures a part of the American Rolls-Royce motor feels he has some part in this dramatic war story.

I had another such experience in Evansville, Indiana, where huge landing craft are built in a ship yard along the Ohio River. Before going to Evansville, I checked to find out if the people ~~in~~ there who are building these ships -- they are landing craft for tanks and heavy mobile artillery -- if they knew where the ships came from, how they came to be built and what they are doing in the war. I found they didn't. The story of the LST's was a mystery.

After a thorough search we found a dramatic story behind these craft. I won't go into it here, except to say that in the Bureau of Ships, filed among blue-prints, we found a cryptic telegram from the British Admiralty to its representative in the United States -- a telegram that in less than two hundred words revealed that a great change was taking place in modern warfare. The allies needed tanks, and needed a means of transporting them quickly into enemy territory. From that telegram, the LST was born; and the LST and similar landing craft built on the same pattern had a great part in our being able to invade Sicily, Sardinia, and Italy, and they are vital in our campaign to drive the Japs off the Pacific Islands.

To the workers in the Evansville shipyards, most of whom never saw the ocean, this story was glamorous and fascinating. It brought them closer to the war, and the President ^{Mr. Harrison} tells me there has been a perceptible lift in morale and efficiency since the people became aware of the importance of their jobs.

I cite these two examples to indicate that there is a job to be done in most war plants, and it's a job that requires good advertising men.

I have talked several times to Donald Nelson since he returned from Russia, and he tells me that Russians have tackled this job with a vengeance -- and with amazing results. Over there, every factory is equipped with a huge map of the Russian front which is corrected daily. Every worker on the home front knows exactly what is happening on the war front almost as quickly as the General Staff of the Red Army. I think this is a technique which we might advantageously borrow. I think it would help greatly to solidify our determination to get the job done, and get it done quickly.

It is not part of my job in Washington to parcel out this task to you advertising men.

But as a citizen, and as an individual who has been able to observe what is being done and what isn't being done, I should like to throw out the suggestion that you concentrate on these two vital jobs. Developing techniques to do them will add a new chapter to your record, the record some of you started nearly two years ago when you put advertising to work in the interests of preserving the Nation and in helping to bring about the unity which Hitler thought we could never achieve.

69
Duce.
Dear
Mar 1940
Sept 1940

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The dangerous dream of a quick end to this war grows more serious every day. It is particularly pressing right now. On every hand we see a surge of activity to prepare for post-war. The stock market has been in a steady plunge ever since word first got around that Germany is about to crack. The newspapers report ^{the coming} ~~the~~ collapse of Germany. In Washington the exodus to after-the-war jobs has started in earnest.

Frankly, Gentlemen, I don't know what the optimism is all about. ^{new signs of} ~~The~~ people who are hailing an early cracking up of the German nation have not talked to German prisoners, I can assure you of that. I had some first hand reports on the state of mind of prisoners when I was in Naples. They are mighty stubborn and cocky. They believe in Adolf Hitler, and say the Russian campaign is the fault of his generals. They don't understand when you talk to them about Democracy. They say: "What? A nation without a leader? That is chaos. Our nation must have a leader." Then if you pursue the subject of their

INSERT A

~~I have not been able to find anyone in Washington~~ ^{No one} ~~who~~ can
 give me any concrete evidence that Germany is tottering on the
 brink of capitulation. ^{- and I have sought out practically everyone who would have any reason to know} And I can tell you from first hand
 observation that the Nazi troops are not near cracking. It is
 always possible, of course, that the people on the ^{Nazi} Home Front
 will ~~not~~ ^{be} ^{able} to take the terrible destruction ~~that~~ our bombs
 are ^{rainning upon them} ~~delivering~~; but if the Nazi Home Front should crack, that
 would be a wind-fall. In the meantime, we are only playing
 Hitler's game to expect it. ^{by the way,} I am convinced ^{that} he has a
 proprietary interest in this wave of optimism. The first signs
 of German collapse came from stories printed in Nazi controlled
 newspapers. ^{Further} ~~The second~~ signs came from travelers ~~coming~~ ^{out}
 of Nazi Germany, ^{who} ~~and~~ ^{ed} reporting ^{observations} their findings ^{news} to neutral/papers,
 chiefly those with pro-Nazi tendencies. Finally, ~~Hitler~~ Hitler
 himself managed to convey the impression in his most recent
 speech that life in Germany ^{is} ~~was~~ hell. I cannot think that he
^{and Mr Goebbels} would be so tender about keeping us posted of ^{a coming crisis} ~~developments~~ un-
 less there is a rabbit in the hat somewhere.

INSERT B

This is one reason why we must concentrate in keeping the American people sold on fighting the war right up to the last bitter day. We have all seen or heard of football games being lost in the last minute of play because one side let down too quickly. I don't think there is a chance of our losing the war in the last minute, but there is a good chance that letting down in the last quarter can needlessly prolong the war for weeks and months.

- 2 -

present leader, they may admit that he is not perfection - but he will have to do until they can find another. And -- get this, gentlemen -- they say their next leader will win the next great war. So here they are -- defeated and lost -- and already planning another assault on civilization.

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I was in Italy ^{three weeks ago} ~~less than a month ago~~. I went with General Mark Clark up to the front lines. I drove in a jeep through the mountains to a spot within a mile of the Nazi troops. I went through a small village -- or what had, a few days before, been a village - called Dragoni. It was still smouldering. American bulldozers were busy clearing debris out of the streets so that our supply trucks could get through; and at one spot our jeep had to climb high over a pile of masonry and stones that the day before had been a public building. That was about all there was left of Dragoni -- that huge pile of wreckage. It was the same in a half dozen other small towns that we passed through, ^{that} ~~and it~~ happens because the Nazis don't like fighting in the open. They run from building to building, and Mark Clark's Fifth Army or Jimmy Doolittle's planes simply have to take the buildings down around them. It is, I can tell you, a mighty slow and difficult process.

- 3 -

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Montgomery's artillery could not have done in days -- if indeed Montgomery's ground forces could have done the job at all without heavy, bloody losses ! This was only one case that Doolittle pointed out where a ~~probably minor defeat~~ ^{temporary setback} had been turned, through immediate air support, into a victory.

But now the winter is here, and the weather is closing in and Jimmie Doolittle and Air-Marshel Tedder cannot send ships anywhere, at any time, on a moment's notice, as they did this summer. Is there anything optimistic about that?

Or, is there anything optimistic about the fact that the allies have still not dared to cross that narrow strip of water called the English Channel, for the simple reason that the other side is lined solidly with sudden death? Can anyone really think it is going to be easy to bring Germany to her knees in unconditional surrender while her troops are solidly planted almost within spitting distance of Great Britain?

But, because the Nazis promise, through the ^{ir}propaganda bureau, to fold up; and because we'd like to get on with the peace, too many of us are getting eager to sidetrack the main job.

Personally, I think it is serious enough to call for somebody to do something; and I came here tonight because I think you can help -- you advertisers and advertising people who have the talents and the facilities and the genius to make the

- 5 -

American people understand the true facts, and to encourage them to do something about it.

I gave you a job once before, you will remember. Representatives of your group came to Washington a year ago and I told them, if I recall correctly, that we were faced with the biggest selling job in history with practically no precedent to go on.

Through your advertising council, you secured the volunteer help of the most capable advertising people in the United States and went to work. I think everyone knows what a splendid job has been done.

During In the Third War Loan advertisements sponsored in the daily newspapers, ^{89,000} ~~88,047~~ Third War Loan advertisements, ~~for~~

a total ~~message~~ ^{more than 6 1/2 million dollars} of 61,573,588 lines, at a cost to themselves of ~~\$6,697,359~~. Two thirds of the advertisements were prepared by the advertisers themselves, and one third were prepared for us by the War Advertising Council.

Practically all of the 10,000 weeklies carried sponsored advertisements throughout the Drive.

In daily and weekly newspapers, business supported the campaign with ~~\$8,699,540~~ ^{more than 8 1/2 million dollars worth of} space.

On the radio you did a magnificent job. The National Broadcasters Association tells me 3,382 hours of radio time and 200,000 announcements (valued at \$12,000,000) carried Third War Loan messages to the public, throughout the days and nights

- 6 -

of the Drive. Through the Allocation Plan and additionally contributed time, advertisers played a most important part. You gave us the use of your best radio audiences.

At least \$3,000,000 in magazine space was ~~contributed to war bond advertising~~. ~~This was~~ provided by ~~both~~ advertisers and the magazines themselves. ~~It should be of interest to you to know that~~ 250 general magazines, 56 farm journals and 450 business and trade magazines each contributed a full page.

Advertisers and the Outdoor Industry provided by all odds the most expansive outdoor showing of all time ~~on a given campaign~~. I am told this had a value of \$1,700,000.

This 3 week campaign, provided by advertisers, would have cost a commercial advertiser \$30,000,000. *10 million dollars a week!*

~~Expansive and intensive as the campaign was, the National Cross Section Public Opinion~~ *made a statement* ~~reveals that still 10% of the people did not know there had been a Third War Loan Bond Drive.~~

~~It did show, however, that the advertising had made the 90% of the people in the country know about the Bond drive, and~~ *and* understand that extra bond purchases were the measurement of

participation. This was an important contribution, for in previous Drives, too much of the public took the position ^{that} "They don't mean me". Last April one in five bought extra bonds. In September, one in three bought extra bonds - and the overwhelming reason given by the other two-thirds was that they could not afford it. You see, therefore, something of the job

Insert "C"

~~XXXXXXXXXXXXXXXXXXXX~~

Some

meeting

Yet we knew that steps had to be taken -- steps that might look to ~~the American public~~ as though we were ~~asking~~ *meeting* for war. But we had a good idea of Hitler's program. We felt sure he intended to take Britain in the spring of 1941, and then join forces with Japan and go to work on us in the fall. And we could not be sure that this program would not succeed.

that 92% of all Democrats and
- 94% of all Republicans
were saying that we should
not fight.

advertising has done.

But you may be interested to know that my experience with advertising in connection with this war started ^{soon} before the War Loans.

It started back in the days when a handful of us who knew the war was inevitable, were trying to get the country ready for it, and trying to make the people see that, as the

in those days, ^{just over 4 years ago -} as Gallup polls pointed out, ~~the Nation~~ ^{We were} was ~~steadily becoming pacifist,~~ overwhelmingly, violently isolationist. ^{and pacifist.} It was not easy to take steps that looked, to an American public that had been fed on a diet of isolationism and facificism for twenty years, like an invitation to war.

Today everyone everywhere agrees that we were scheduled on Hitler's program as much as Poland, Czechoslovakia, or Britain. But things were different then.

Even ~~after~~ ^{in June 1940, did not inspire} Dunkirk, ~~for example,~~ the American people would ^{to take a} ~~have no part of war.~~ ^{in the}

Here was the very moment when the light of civilization came nearest to dying, perhaps forever. The British were desperate. Their entire future, their whole defense depended upon getting material, [&] and getting it quickly. What they needed

immediately was rifles. Every able-bodied man in England had to be prepared to fight off invasion. But in all of Britain there were no rifles for these men, and you can't stop Nazis

I understand and, we don't really stand into and will pass the cover over our heads.

Insert "D"

Winston Churchill had made it clear that the equipment losses at Dunkirk had been staggering. Great Britain needed everything -- artillery, ammunition, aircraft, and most of all rifles. Every able-bodied man in England had to be prepared to fight off invasion, but in all Britain there were no rifles for them, and you can't stop Nazis with sticks and stones.

Churchill wired the President for help. Somehow, by some means, couldn't we get them some rifles -- thousands of them -- and enough other equipment to prepare them for the invasion which they felt sure was imminent -- and which, if it had been imminent, almost certainly would have been successful.

and a group for the...
Salvator General Bidelle

General Marshall brought the cable to my office. We had rifles from the last war, and ~~new rifles~~ millions of them. But George Gallup was reporting that almost nine out of ten people believed we could keep the peace by ignoring the war and not doing anything to aggravate ~~Mr Hitler~~. *But* So General Marshall and ~~I~~ *I had no legal* knew that public

sentiment would not let us hand guns over to the British to help keep the Nazis on the other side of the World, *no matter how important it might prove to be.*

~~But by midnight, we had found a way. We discovered a law, passed and forgotten in 1815, which gave to the commander-in-chief of the American Army the privilege of lending equipment to a belligerent if, in his estimation, the fate of the Nation was involved. So, the commander-in-chief legally loaned rifles to the British. Britain was armed and, as a coincidence, lend-lease was born.~~

It was back in these days when we were struggling with public sentiment that American advertising men first came to the aid of their Government.

At the time that we wanted to trade over-aged destroyers for nearby bases, we needed the backing of public sentiment. William Allen White volunteered to tackle the job of conditioning the electorate; and his first move was buying full page newspaper advertisements, and commissioning some of you advertising men to develop a campaign. You were pioneers then. You were pioneering on the biggest job of reversing public sentiment in history, and you were pioneering too, in giving advertising the dignity of social responsibility.

to get them to the...

This Destroyer transfer marked another mile stone. It was the beginning of lend-lease. It came about when we discovered that Britain was running out of dollars, while Hitler was increasing ~~the~~ pressure and punishment. Either we had to lend Britain money to buy ~~things~~ ^{things} from us, as we did with such unhappy results the last time, or we had to find some better and less troublesome way of carrying out the transaction. Ed Foley, then Chief Counsel of the Treasury, found the other way. He found ~~that~~ a law ~~had been~~ passed and forgotten in 1892, giving the Secretary of War, "When in his discretion it will be for the public good," the privilege of leasing Army property to anyone who needed it. Out of this musty law, the entire lend-lease program was developed.

Insert F.

A few months later there was another educational job to be done. Nazi U boats were preventing our shipping from reaching its destination, and ~~it became~~ ^{we could see that it would be} necessary either to convoy our freighters or to simply consign a good part of our material to Devil Jones. In advertising campaign was planned by you ad men ^{to tell the public about it.}

I remember one of the advertisements. It was headed "Okay, Mr. President, go ahead and clear the Atlantic." [What you were able to do together with ^{in this campaign,} that the President was able to do in a fire-side chat, threw the support of a majority of American voters behind his move. ~~By the time it was done,~~ ^{a few weeks} 55% of the people backed the move, and only 38% opposed it. ~~Four months~~ before, 50% of the people had been definitely against it and 41% were for it.

This is a great achievement when you realize that only four years before, 64 out of every 100 persons in the United States believed that we made a serious mistake in getting mixed up with the first World War.

~~What I~~
 (G)
 We needed this public support that you were building. ~~and~~ We had

found that out ~~in~~ in 1939, when a representative of the French Air Ministry crashed in ^{to} a Los Angeles parking lot while investigating one of our most modern light bombers. Perhaps you remember it. Almost before the gentleman had ~~been~~ *been extricated from the wreckage,* I was hailed up before the Senate and asked to defend myself for helping the French to purchase, for cash, American airplanes, made by American manufacturers, ~~for~~ for use in the war. As it eventually turned out, those early orders for American equipment set up our plants for defense ~~and~~ and gained precious months of time for us. You all know that ~~is~~ now, but I can assure you the Senators didn't believe it the day that Paul Chemidlin was taken from that wrecked plane.

Public sentiment ~~is~~ ^{is} much changed now. Today the Nation ~~is~~ ^{is} not only solidly behind the war, but has gone on record as wishing to take on responsibility in helping keep world peace.

Much of this change was due, of course, to the Jap attack at Pearl Harbor, but even while the Japs were pulling their sneak attack three out of every ten Americans felt that it was most important to stay out of the war, no matter what happened. And after Pearl Harbor, a vast majority of the American people still refused to subscribe to the idea that the European was had very much to do with us.

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Later, you did another job. This was the time when Nazi U boats were preventing our shipping from reaching its destination. An advertising campaign was planned by you ad men with the theme -- "Okay, Mr. President, go ahead and clear the Atlantic."

That was the first time that the President had been urged on in his battle to get us prepared and to keep the war away from our shores. I can tell you it was very heartening and very encouraging.

We needed the support you were building. We found out how badly we needed it one day when a representative of the French Air Force cracked up an American airplane in the west. Perhaps you remember it. Almost before the gentleman had bailed out, I was hailed up before the Senate, and asked to defend myself for helping the French to purchase, for cash, American airplanes for use in the war. As it eventually turned out, these early orders for American equipment set up our plants for defense and gained precious months of time for us. We all know that now, but I can assure you the Senators didn't believe it the day that Pierre Dubart fell out of that airplane.

Public sentiment is much changed now. Today the Nation is not only solidly behind the war, but has gone on record as wishing to take responsibility in helping keep world peace.

Much of the change was due, of course, to the Jap attack on Pearl Harbor; but, even after Pearl Harbor, George Gallup reported that 67 per cent of the people still would not subscribe to the idea that the European war had very much to do with us.

The striking reversal of public sentiment from narrow isolationism to a complete acceptance of International responsibility is a monument to public education. And you, here in this room, had as much to do with that education as any other group of people.

One of the chief channels through which this has been achieved, in my judgement, is the job you have helped do in promoting war bonds.

We in the Treasury have always seen ~~selling~~ the war as a basic part of bond ^{the maintenance of enthusiasm about the war} promotion, ~~and~~ you have subscribed to this belief. We hit a high spot in this job, I believe, the day the Third War Loan opened, which was the day Italy surrendered. ^S We wondered what the effect would be on the drive. ^S We were not long finding out. One of our State Chairmen called up and said: "Well, I guess the Third War Loan is off -- the war's over and there's no need to raise money."

So we called ⁱⁿ Ted Replier of the Advertising Council, ~~and he~~ went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front Defeat?" ^{Then, because of} ~~And it testifies to~~ the smooth working arrangement between your people and ours, ~~that~~ the ad ran the next day in hundreds of newspapers throughout the Nation. It must have had a sobering effect on a lot of people, because we didn't get any more phone calls.

~~During the past few months I have been thinking about two other jobs that need to be done if we are to continue to improve the efficiency of our war effort -- both here and overseas. They take on a new importance today in view of the optimism which makes it hard for us to keep our eye on the ball.~~

"Write up and advertisement that will stop this in its tracks," I told Ted Replier, and he

Insert H

I have gone over this whole story of advertising's part in the war up to this point -- At least that part that I have had something to do with -- because I ^{feel} ~~thought~~ you would be interested in it. I think you have established a remarkable record. I think the stature of advertising has improved immeasurably as a result of what you people, who have thrown aside all thought of political differences, have done. $\left\{ \right.$ But this is not a funeral oration. Your job is not finished, it is barely begun. Much more remains to be done than any of us have found time to do up to this point. And the job is going to get more difficult every week, and every month, that the war wears on. Because we are going to get tired. Everybody is going to get tired. We are going to want peace and relief from the restrictions that war puts on what we do, and what we eat, and what we have.

Unconditional surrender is a hard bargain, and there will be a temptation to settle for less as the possibility of peace approaches. I hope you will remember that. I hope you will put your minds to doing something about it.

I should like to make some further suggestions. Lately I have been thinking about two specific jobs that need to be done if we are to continue to improve the efficiency of our war effort both here and overseas. They take on a new importance today in view of the optimism which makes it hard for us to keep our eye on the ball.

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On my recent trip to the front, I made what seemed to me to be a startling discovery. Our troops over there have very little idea of what is going on back here. Their sources of information are meager, and not very reliable.

I left New York on October 12, and the New York Times that I bought that morning was the only American paper that I saw until I arrived back in Puerto Rico three weeks later. When I turned to the radio overseas for news from home, I discovered that you can't get news that way either. We at home get news six times a day from all the battle fronts of the war, but our boys get no news from America through Allied radio stations abroad. News comes to them through BBC, but British news reporting holds little satisfaction for the average American soldier.

Therefore, I want to suggest to you tonight that you use your facilities and your ingenuity to get American news abroad, and get it there every day. Get it there while it is hot, and get it direct from home. Some of you have worked with the Army, the Red Cross and other agencies, to get American things to American soldiers abroad, and it has done a great deal of good. But there is no substitute for American news. I hope some of you will take that as an assignment. I can tell you that it will be appreciated by every American soldier away from home, and by their officers too.

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Then, there is another job that needs to be done, quickly and thoroughly.

We need to do a really good job of selling the war and increased production to American men and women on the production lines.

To put it in your own lingo, the chief commodity that we have for sale today is increased war production; and the most important group of customers today are those who can increase that production if their enthusiasm and interest can be stepped up.

During various bond drives I have visited many American factories. In virtually none of them is a thorough advertising job being done to sell the war and increase production to the men and women at work. In the few exceptions which I have investigated, it seems to have been proved beyond doubt that a good job of creating enthusiasm and interest through advertising methods has paid off in increased production, in less absenteeism, and in better plant morale.

One of the outstanding examples that I have seen is the Packard plant in Detroit. Like other corporations with a peace-time trade mark to preserve, Packard maintains an advertising campaign to the general public. But it's not doing this at the expense, and to the unfortunate neglect of

- 14 -

its thorough-going advertising campaign to the people who made Packard products for war.

I have been told that Packard went to work on this job early in the war. They were among the first to understand that a workman cannot get enthusiastic about working on some small assembly that he can not imagine as an implement of war. To counteract this, Packard took their people down to the water front and showed them PT boats in action -- PT boats powered with motors, built by Packard workmen from thousands of parts that each individual workman was himself creating.

The Packard plant today is alive with posters and signs and slogans about the war. While visiting the plant, I told President Christopher how we came to bring the Rolls-Royce motor over here from England and what a difficult time we had of getting an American manufacturer to take on the vital job of making them. I reminded him how Packard set to work, and finally wound up building so many Rolls-Royce motors that we not only fill all our own requirements, but ship many back to England so they, over there, can step up their production of Lancaster bombers and fighters.

It's to the credit of the organization that this story was immediately given to the workers -- dramatized in a dozen different forms, brought to them in a dozen different ways.

The result is that every man and woman who manufactures a part of the American Rolls-Royce motor feels he has some part in this dramatic war story.

I had another such experience in Evansville, Indiana, where huge landing craft are built in a ship yard along the Ohio River. Before going to Evansville, I checked to find out if the people in there who are building these ships -- they are landing craft for tanks and heavy mobile artillery -- if they knew where the ships came from, how they came to be built and what they are doing in the war. I found they didn't. The story of the LST's was a mystery.

After a thorough search we found a dramatic story behind these craft. I won't go into it here, except to say that in the Bureau of Ships, filed among blue-prints, we found a cryptic telegram from the British Admiralty to its representative in the United States -- a telegram that in less than two hundred words revealed that a great change was taking place in modern warfare. The allies needed tanks, and needed a means of transporting them quickly into enemy territory. From that telegram, the LST was born; and the LST and similar landing craft built on the same pattern had a great part in our being able to invade Sicily, Sardinia, and Italy, and they are vital in our campaign to drive the Japs off the Pacific Islands.

To the workers in the Evansville shipyards, most of whom never saw the ocean, this story was glamorous and fascinating. It brought them closer to the war, and the President tells me there has been a perceptible lift in morale and efficiency since the people became aware of the importance of their jobs.

I cite these two examples to indicate that there is a job to be done in most war plants, and it's a job that requires good advertising men.

I have talked several times to Donald Nelson since he returned from Russia, and he tells me that Russians have tackled this job with a vengeance -- and with amazing results. Over there, every factory is equipped with a huge map of the Russian front which is corrected daily. Every worker on the home front knows exactly what is happening on the war front almost as quickly as the General Staff of the Red Army. I think this is a technique which we might advantageously borrow. I think it would help greatly to solidify our determination to get the job done, and get it done quickly.

It is not part of my job in Washington to parcel out this task to you advertising men.

But as a citizen, and as an individual who has been able to observe what is being done and what isn't being done, I should like to throw out the suggestion that you concentrate on these two vital jobs. Developing techniques to do them will add a new chapter to your ~~record~~ ^{the story} ~~the record~~ some of you started nearly two years ago when you put advertising to work in the interests of preserving the Nation and in helping to bring about the unity which Hitler thought we could never achieve.

In closing, I should like to make just one more observation. A year ago, I went to England. What I saw there gave me a lot of inspiration, and a lot of confidence about the outcome of this war. I came back knowing in my heart that we were going to win it. The British had survived the Blitz. Slowly and painfully they had overtaken the enemy. Obviously, it would take a long time, but in the end we would win.

When I returned from the front early this month, I felt far more grim about the war than I ~~was~~^{did} a year ago. I had an opportunity to discuss the actual fighting and the nature of our enemy with General Eisenhower, and General Patton, and General Devers and General Mark Clark. I was given a pretty clear idea of the downright heroism that is required of our men when they are called upon to face the tough, fanatic Nazis. I ~~was given~~^{achieved} a very healthy respect for the blood and sweat that goes into every foot of enemy ground we take. And I found no evidence anywhere along the line that we are ~~anywhere~~ near the end, unless it comes through some freak of circumstance.

(on the other hand,
I can assure you that the destruction of Germany must be a ~~xxx~~ fantastic ~~because~~ I saw destruction. I saw the Port of Naples, lying in a mess of ruins. I saw the Port of Palermo battered so badly that one sizeable ship lay high and dry on a wharf, blown completely out of the water. But General Patton assured me that Palermo was only three or four percent destroyed, ~~xxxxxxx~~ Hamburg has been 75% destroyed, and several other German cities have received almost as much destruction.

b.
Yes, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. It is possible that we will be awakened some morning by whistles and bells and paper boys selling extras.

But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a great deal of our precious energy into making ready for it, and then find that it shows no signs of coming. And in the meantime, good American young men are losing their lives trying to end the war the hard way, because they have no choice except to do it that way, or ~~be defeated~~ *not at all*,

~~Lane~~
~~James~~

alt #2

Gentlemen:

I am glad to have this opportunity tonight to talk to the Nation's leading advertising people, because I have confidence in the ability of advertising men to bring the facts of the war to our people. And today, perhaps more than at any time since the war began, there is a vital job to be done on that front.

The dangerous dream of a quick end to this war grows more serious every day. It is particularly pressing right now. On every hand we see a surge of activity to prepare for post-war. The stock market has been in a steady plunge ever since word first got around that ~~Germany~~ ^{the Nazis are} is about to crack. The newspapers regularly report new signs of the coming collapse of Germany. In Washington the exodus to after-the-war jobs has started in earnest.

~~Frankly, gentlemen, I don't know what the optimism is all~~

No one in Washington can give me any concrete evidence that Germany is tottering on the brink of capitulation -- and I have sought out practically everyone who would have any reason to know. And I can tell you ~~from first hand observation~~ ^{at least on the Italian front} that the Nazi troops are not near cracking. It is always possible, of course, that the people on the Nazi Home Front will be unable to take the terrible destruction our bombs are raining upon them; ~~or the demoralizing reports from the Eastern front~~ But if the Nazi Home Front should crack, that would be

Bad news from Russia

see peace just around the corner

a wind-fall. In the meantime, we are only playing Hitler's game to ~~the point~~. [I am convinced, by the way, that ~~he has~~ ^{the Nazis have} a proprietary interest in this wave of optimism. The first signs of German collapse came from stories printed in Nazi controlled newspapers; ~~Further signs came~~ ^{then} from travelers out of Nazi Germany, who reported their observations to neutral newspapers, chiefly those with pro-Nazi tendencies. Finally, Hitler himself managed to convey the impression in his most recent speech that life in Germany is hell. I cannot think that he and Mr. Goebbels would be so tender about keeping us posted of a coming crisis unless there is a rabbit in the hat somewhere.

The people who are hailing an early crack up of the German nation have not talked to German prisoners, I can assure you of that. I had some first hand reports on the state of mind of prisoners when I was in ^{Italy} ~~Naples~~. They are mighty ^{arrogant} ~~stubborn~~ ^{and cocky}. They believe in Adolf Hitler, and say the Russian campaign is the fault of ^{the German} ~~his~~ generals. They don't understand when you talk to them about Democracy. They say: "What? A nation without a leader? That is chaos. Our nation must have a ^{feather} ~~leader~~." Then if you pursue the subject of their present leader, they may admit that he is not perfection -- he will have to do until they can find another. And -- get this, gentlemen -- they say their next ^{feather} ~~leader~~ will win the next.

great war. So here they are ^{these} -- defeated and lost ^(Prayers) -- ~~and~~ already planning another assault on civilization.

This is one reason why we must concentrate ~~in keeping the~~
~~American people sold on fighting the war right up to the last~~
~~bitter day. We have all seen or heard of football games being~~
~~lost in the last minute of play because one side let down too~~
~~quickly. I don't think there is a chance of our losing the war~~
~~in the last minute, but~~ There is a good chance that letting down
~~can needlessly prolong the war for weeks and~~
~~months.~~

now

I was in Italy three weeks ago. I went with General Mark Clark up to the front lines. I drove in a jeep through the mountains to a spot within a mile of the Nazi troops. I went through a small village -- or what had, a few days before, been a village - called Dragoni. It was still smouldering. American bulldozers were busy clearing debris out of the streets so that our supply trucks could get through; and at one spot our jeep had to climb high over a pile of masonry and stones that the day before had been a public building. That was about all there was left of Dragoni -- that huge pile of wreckage. It was the same in a half dozen other small towns that we passed through. That happens because the Nazis don't like fighting in the open. They run from building to building, and Mark Clark's

I pointed out some of the problems of fighting over there in the broadsheet I made immediately after returning from the front (copy A)

fifth Army or Jimmy Doolittle's planes simply have to take the buildings down around them. It is, I can tell you, a mighty slow and difficult process.

Rankin

Since I left Dragoni, the Allied Armies have managed to get fifteen miles closer to Rome. Five bloody, hard-earned miles a week, that's all. But no army in the world could move any faster ~~over the mountains, over the terrain of Central Italy.~~ It will be almost a miracle if we are in Rome before Christmas.

And that's the picture on the Italian front while we, back here, are congratulating ourselves on polishing off the war in a hurry.

But even that's not the whole story.

The weather is closing in over there. Our troops may be without air protection more of the time than they will have it, and they tell me that air protection is just about the most important single factor in modern ~~warfare.~~ attack warfare.

I talked to General Doolittle about that in Tunis. In his war room, lined with huge maps of the entire Allied battle front, he showed me how aircraft are dispatched almost on a moment's notice to any fighting sector to take care of difficult enemy implacements or stubborn resistance. Just two days before I arrived in Tunis, Doolittle said, General Montgomery was caught

in what might have been a serious trap had it not been for the medium bombers that he called to the scene.

In an hour or two the bombers had done what General Montgomery's artillery could not have done in days -- if indeed Montgomery's ground forces could have done the job at all without heavy, bloody losses! This was only one case that Doolittle pointed out where a temporary setback had been turned, through immediate air support, into a victory.

But now the winter is here, and the weather is closing in. Jimmie Doolittle and Air-Marshal Tedder cannot send ~~ships~~ ^{airplanes} anywhere, at any time, on a moment's notice, as they did this summer. Is there ~~anything~~ ^{any promise of early peace} optimistic about that?

Or, ~~is there anything optimistic about~~ ^{can you find hope of quick victory in} the fact that the Allies have still not dared to cross that ~~narrow strait of water~~ ^{ed narrow ditch} called the English Channel, for the simple reason that the other side is lined solidly with sudden death? Can anyone really think it is going to be easy to bring Germany to her knees in unconditional surrender while her troops are ~~planted~~ ^{planted} almost within ~~spitting distance~~ ^{gunshot} of Great Britain?

But, because the Nazis promise, through their propaganda bureau, to fold up; and because we'd like to get on with the peace, too many of us are getting eager to sidetrack the main job.

Personally, I think it is serious enough to call for some-
 body to do something; and I came here tonight because I think
~~you~~ you advertisers and advertising people who ^{we} ~~have~~
~~the~~ talents and ~~the~~ facilities and ~~the~~ genius to make the
 American people understand ^{many of the ways we do it more} ~~the true facts~~ and to encourage them

~~to do something about it.~~
 I asked you help
 I gave you a job once before ~~you will remember.~~ Represent-
 atives of your group came to Washington a year ago and I told
 them, if I recall correctly, that we were faced with the biggest
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Through your advertising council, you secured the volunteer
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 and the cooperation of advertisers and media,
 and went to work. I think everyone knows what a splendid job
 has been done.

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Advertisers and the Outdoor Industry provided by all odds the most expensive outdoor showing of all time. I am told this had a value of \$1,700,000.

This 3 week campaign, provided by advertisers, would have cost a commercial advertiser \$30,000,000 -- 10 million dollars a week!

A National Cross Section Public Opinion made afterward revealed that 90% of the people in the country knew about the Bond Drive, and understood that extra Bond purchases were the measurement of participation. This was an important contribution, for in previous Drives, too much of the public took

the position that "They don't mean me."

Last April one ^{person} in five bought extra bonds. In September, one in three bought extra bonds - and the overwhelming reason given by the other two-thirds was that they could not afford it. You see, therefore, something of the job advertising has done.

But you may be interested to know that my experience with advertising in connection with this war started even before the War Loans.

It started back in the days when ^{those} a handful of us who ^{felt} ~~know~~ that ~~the attack on the United States was~~ inevitable, were trying to get the country ready to ~~defend~~ ^{defend} ~~itself~~ ^{our biggest job was} trying to make the people see that, as the President said, we couldn't simply climb into bed and pull the covers over our heads.

In those days -- ^{about} ~~just~~ four years ago -- Gallup polls pointed out that 92% of all Democrats and 94% of all Republicans were saying that we ^{simply} should not fight. ~~It was overwhelmingly,~~ ~~viciously isolationist and pacifist.~~ ^{to protect ourselves}

Yet we ~~know that~~ steps had to be taken -- steps that might look to some Americans as though we were ^{that} ~~inviting war~~ ^{by admitting its approach}. But we had a good idea of Hitler's program. We felt sure he intended to take Britain in the Spring of 1941, and then join forces with Japan and go to work on us in the fall. And we could not be sure that this program would not succeed.

defend our shores against any aggressor

~~had been... the British.~~ Public sentiment would not let us hand guns over to the British to help keep the Nazis on the other side of the World, no matter how important it might prove to be.

~~We sat in my office until 12:30 AM~~ ^{and by} midnight, and eventually we ^{had found} ~~successful~~ in finding a substantial amount of equipment that the British could buy, legally, without involving the American Government in an act of war. Britain was again armed, meager though was the armament, that we could furnish, and civilization passed a crisis. But it was a mighty narrow squeak.

It was back in these days when we were struggling to make the public see what ^{stark} dangers lay ahead that American advertising men first came to the aid of their Government. It seemed obvious, at least to me, that we were not getting anywhere by depending upon ~~newspaper~~ ^{straight news} reports to warn the American people of approaching danger. Something more positive had to be done.

That something, it seemed to me, was some good, factual, hard hitting advertising ^{to help the people see and feel what we were up against}

Not long after that, advertising began to appear. It was bought and paid for by patriotic Americans who took upon themselves the responsibility of making their friends and neighbors aware of the situation. ~~and~~ ^{These} the advertisements were written by some of you advertising men ~~some of you~~, I think, who are here

tonight. You were pioneers then. You were pioneering the biggest job of ~~reversing public sentiment~~ ^{public information} in history. And you were pioneering too in giving advertising the dignity of social responsibility.

Obviously we could not continue to find ~~more parts~~ ^{antiquated guns} and add bits of equipment in private hands so that the British could buy it and use it. The time had come to take drastic steps. We knew ^{for example} that a few months later there would be a crisis in the British Navy; that it would prove too small to defend itself, let alone keep the invading Nazis in any kind of check.

~~When asked that~~ ^{had to} The public be made aware of this difficult situation, you prepared an advertising campaign that ~~achieved~~ ^{helped} amazing results. That was only three months after Dunkirk, but the Gallup box score ^{began to} ~~looked~~ much different than it had before. 60% of the American people stood solidly back of the President in transferring over-aged destroyers to the British to help bolster their Navy. ^{The people were beginning to see.}

This Destroyer transfer marked another milestone. It was the beginning of lend-lease. It came about when we discovered that Britain was running out of dollars, while Hitler was increasing pressure and punishment. Either we had to lend Britain money to buy things from us, as we did with such unhappy results the last time, or we had to find some better and less troublesome way of carrying out the transaction. ^{Ed Policy, then Chief} ~~Ed Policy, then Chief~~

The message went to work on the

lawyer
~~counsel of the Treasury, found the other way. He found a law, passed and forgotten in 1892, giving the Secretary of War, "when in his discretion it will be for the public good," the privilege of leasing Army property to anyone who needed it. Out of this dusty law, the entire lend-lease program was developed.~~

A few months later there was another educational job to be done. Nazi U boats were preventing our shipping from reaching its destination, and we could see that it would be necessary either to convoy our freighters or to simply consign a good part of our material to Davy Jones. An advertising campaign was planned by you ad men *and again you were helped by the news* to tell the public about the problem. I remember one of the advertisements. It was headed "Okay, Mr. President, go ahead and clear the Atlantic."

plus your help
~~What you were able to do in this campaign, together with~~

~~what the President was able to do in a fireside chat,~~ threw the support of a majority of American voters behind this *very warlike* move.

55% of the people backed the *decision* *definitely*, and only 38% opposed it. A few weeks before, 50% of the people had been definitely against it and *only* 41% were *willing to see it done*.

~~We needed this public support that you were building. We had found that out in 1939, when a representative of the French Air Ministry crashed into a Los Angeles parking lot while investigating one of our most modern light bombers. Perhaps you~~

Doesn't
~~Here again was a victory for the policy of letting the people know~~

very important editorial columns

remember it. Almost before the gentleman had been extricated from the wreckage, I was halled up before the Senate and asked to defend myself for helping the French to purchase, for cash, American airplanes, made by American manufacturers, for use in the war. As it eventually turned out, those early orders for American equipment ^(airplane and engine) set up our plants for defense and gained ^{many} precious months of time for us. You all know that now, but I can assure you the Senators didn't believe it the day that Paul Chemidlin was taken from that wrecked plane.

Public sentiment is much ^{improved} ~~changed~~ now. Today the Nation is not only solidly behind the war, but has gone on record as wishing to take on responsibility in helping keep world peace.

Much of this change was due ~~to~~ ^{to} the Jap attack at Pearl Harbor. ^{But} even while the Japs were pulling their sneak attack, three out of every ten Americans felt that it was most important to stay out of the war, ^(European) ~~no matter what happened.~~

The striking reversal of public sentiment from narrow isolationism to a complete acceptance of International responsibility is a monument to public education. And ^{some of you who are} here in this room, ^{over a period of time} had as much to do with that education ^{as} any other group of people.

~~One of the chief channels through which this has been achieved, in my judgment, is the job you have helped do in promoting War Bonds.~~

OVER

~~The job is done in many ways~~

Since the early days, when most of
the work was done ^{in spare time} by ~~the~~ patriotic

Volunteers like Chet La Roche and
Emmett Corrigan, you have taken

the war as your professional assign-
ment in Total War. It is no longer
a spare time operation. You are
putting your best brains on this
war information job - this job which
I want to repeat, must be stepped
up, not tapered off, as we march
toward victory.

~~The~~ Some of this ^{increased} War information
effort can be and should be
channeled through ~~to~~ bond advertising

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our enemy with many American and British officers and men. I was given a pretty clear idea of the heroism required of our men when they face the tough, fanatic Nazis, and as a result I achieved a very healthy respect for the blood and sweat that goes into every foot of enemy ground we take. And I found no evidence anywhere along the line that we are near the end, unless ~~it comes~~ ^{the end should} through some freak of circumstance.

I do not want to underestimate ~~the effects~~ ^{the effects} ~~of the~~ ^{of the} ~~terrible~~ ^{terrible} defeats in Russia, ~~the paralyzing fear which~~ ^{the paralyzing fear which} comes with the destruction of Germany, ~~which must be fantastic.~~ ^{must have on the Nazi home front.} ~~That destruction must be fantastic.~~ ^{That destruction must be fantastic.} I saw the Port of Naples, lying in a mass of ruins. I saw the Port of Palermo ^{in Sicily} battered so badly that one sizable ship lay high and dry on a wharf, blown completely out of the water. But General Patton assured me that Palermo was only three or four percent destroyed. Hamburg has been seventy-eight percent destroyed, and several other German cities have received almost as much destruction.

Yes, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. We may be awakened some morning by whistles and bells and paper boys selling extras.

But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a

In closing, I ~~should~~ ^{want} like to make ~~it~~ one more observation.

A year ago, I went to England. What I saw there gave me a lot of inspiration, and a lot of confidence about the outcome of this war. I came back knowing in my heart that we were going to win. The British had survived the Blitz. ~~Slowly and painfully~~ ^{The Russians had stopped} ~~the enemy~~ ^{overtaken} the enemy. Obviously, it would take a long time, but in the end we would win.

When I returned from the front early this month, I felt far more grim about the war than I did a year ago. I had an opportunity to discuss the actual fighting and the nature of our enemy with ~~General Eisenhower, and General Patton and General Devers and General Mark Clark.~~ ^{many American and British officers and men} I was given a pretty clear idea of the ~~down right~~ heroism ~~that is~~ required of our men when they ~~are called upon to~~ face the tough, fanatic Nazis, ~~and as a result~~ I achieved a very healthy respect for the blood and sweat that goes into every foot of enemy ground we take. And I found no evidence anywhere along the line that we are near the end, unless it comes through some freak of circumstance.

I ~~can assure you~~ ^{do not want to underestimate} ~~that~~ the destruction of Germany ^{which} must be fantastic. I saw destruction. I saw the Port of Naples, lying in a mass of ruins. I saw the Port of Palermo battered so badly that one sizable ship lay high and dry on a wharf, blown completely out of the water. But

~~the~~ terrible defeatism ~~in~~ ⁱⁿ ~~the~~ ^{of} the paralyzing fear which comes with the

Planning document. We have been... should be kept done in the far east

General Patton assured me that Palermo was only three or four percent destroyed. Hamburg has been 73% destroyed, and several other German cities have received almost as much destruction.

Yes, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. ~~It is possible that we will be~~ ^{We may be} awakened some morning by whistles and bells and paper boys selling extras.

But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a great deal of our precious energy into making ready for it, and then find that it shows no signs of coming. And in the meantime, good American young men are losing their lives trying to end the war the hard way, because they have no choice except to do it that way, or not at all.

~~Handwritten scribble~~

↓
PICK UP P. 14

Propaganda bonds, I feel, is a double-headed job²⁶⁶
Half the job is raising⁻¹⁴ money, but the other half is

~~We in the Treasury have always seen, as a basic part of
bond promotion, the maintenance of ~~enthusiasm~~ ^{interest in} about this war,
You have subscribed to this belief~~

We hit a high spot in this job, I believe, the day the Third War Loan opened, which^{also} was the day Italy surrendered. I wondered what the effect would be on the drive. I was not long finding out. One of our State Chairmen called up and said: "Well, I guess the Third War Loan is off -- the war's over and there's no need to raise money."

So we called in Ted Replier of the Advertising Council. "Write us an advertisement that will stop this in its tracks," I told Replier, and he went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front Defeat?" Then, because of the smooth working arrangement between your people and ours, the ad ran the next day in hundreds of newspapers throughout the Nation. ~~We~~ must have had a sobering effect on a lot of people, because we didn't get any more phone calls, *and that particular wave of optimism soon chilled.*

We followed this up with

and what I needed to know to

I have gone over this whole story of advertising's part in the war up to this point -- at least that part that ~~I have~~ ^{on which we have} worked together and something to do with -- because I felt you would be interested in it. I think you have established a remarkable record. I think the stature of advertising has improved immeasurably as a result of what you people, who have thrown aside all thought

our equipment losses in Sicily

MOVE TO P. 22

MOVE TO P 22

of political differences, have done.

But this is no ~~funeral oration~~. Your job is ~~not finished~~, it is barely begun. ~~Much more remains to be done than any of us have found time to do up to this point.~~ And the job is going to get more difficult every week, and every month, that the war wears on. Because we are going to get tired. Everybody is going to get tired. We are going to want peace and relief from the restrictions that war puts on what we do, and what we eat, and what we have.

Unconditional surrender is a ~~large order~~, and there ^{may} be a temptation to settle for less as the possibility of peace approaches. I hope you will remember that. I hope you will put your minds to doing something about it.

I should like to make some further suggestions. Lately I have been thinking about two specific jobs that need to be done if we are to continue to improve the efficiency of our war effort both here and overseas. They take on a new importance today in view of the optimism which makes it hard for us to keep our eye on the ball.

On my recent trip to the front, I made what seemed to me to be a startling discovery. Our troops over there have very little idea of what is going on back here. Their sources of information are meager, and not very reliable.

and this entrance the
palatine record that some of you started
back in those early days of Defense.

McHugh

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Draft #2

Gentlemen:

I am glad to have this opportunity tonight to talk to the Nation's leading advertising people, because I have confidence in the ability of advertising men to bring the facts of the war to our people. And today, perhaps more than at any time since the war began, there is a vital job to be done on that front.

The dangerous dream of a quick end to this war grows more serious every day. It is particularly pressing right now. On every hand we see a surge of activity to prepare for post-war. The stock market has been in a steady plunge ever since word first got around that Germany is about to crack. The newspapers regularly report new signs of the coming collapse of Germany. In Washington the exodus to after-the-war jobs has started in earnest.

Frankly, Gentlemen, I don't know what the optimism is all about.

No one in Washington can give me any concrete evidence that Germany is tottering on the brink of capitulation -- and I have sought out practically everyone who would have any reason to know. And I can tell you from first hand observation that the Nazi troops are not near cracking. It is always possible, of course, that the people on the Nazi Home Front will be unable to take the terrible destruction our bombs are raining upon them; but if the Nazi Home Front should crack, that would be

Continue page 3

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a wind-fall. In the meantime, we are only playing Hitler's game to expect it. I am convinced, by the way, that he has a proprietary interest in this wave of optimism. The first signs of German collapse came from stories printed in Nazi controlled newspapers. Further signs came from travelers out of Nazi Germany, who reported their observations to neutral newspapers, chiefly those with pro-Nazi tendencies. Finally, Hitler himself managed to convey the impression in his most recent speech that life in Germany is hell. I cannot think that he and Mr. Goebbels would be so tender about keeping us posted of a coming crisis unless there is a rabbit in the hat somewhere.

The people who are hailing an early crack up of the German nation have not talked to German prisoners, I can assure you of that. I had some first hand reports on the state of mind of prisoners when I was in Naples. They are mighty stubborn and cocky. They believe in Adolf Hitler, and say the Russian campaign is the fault of his generals. They don't understand when you talk to them about Democracy. They say: "What? A nation without a leader? That is chaos. Our nation must have a leader." Then if you pursue the subject of their present leader, they may admit that he is not perfection -- he will have to do until they can find another. And -- get this, gentlemen -- they say their next leader will win the next

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great war. So here they are -- defeated and lost -- and already planning another assault on civilization.

This is one reason why we must concentrate in keeping the American people sold on fighting the war right up to the last bitter day. We have all seen or heard of football games being lost in the last minute of play because one side let down too quickly. I don't think there is a chance of our losing the war in the last minute, but there is a good chance that letting down in the last quarter can needlessly prolong the war for weeks and months.

I was in Italy three weeks ago. I went with General Mark Clark up to the front lines. I drove in a jeep through the mountains to a spot within a mile of the Nazi troops. I went through a small village -- or what had, a few days before, been a village - called Dragoni. It was still smouldering. American bulldozers were busy clearing debris out of the streets so that our supply trucks could get through; and at one spot our jeep had to climb high over a pile of masonry and stones that the day before had been a public building. That was about all there was left of Dragoni -- that huge pile of wreckage. It was the same in a half dozen other small towns that we passed through. That happens because the Nazis don't like fighting in the open. They run from building to building, and Mark Clark's

Fifth Army or Jimmy Doolittle's planes simply have to take the buildings down around them. It is, I can tell you, a mighty slow and difficult process.

Since I left Dragoni, the Allied Armies have managed to get fifteen miles closer to Rome. Five bloody, hard-earned miles a week, that's all. But no army in the world could move any faster over the mountainous, overgrown terrain of Central Italy. It will be almost a miracle if we are in Rome before Christmas.

And that's the picture on the Italian front while we, back here, are congratulating ourselves on polishing off the war in a hurry.

But even that's not the whole story.

The weather is closing in over there. Our troops may be without air protection more of the time than they will have it, and they tell me that air protection is just about the most important single factor in modern warfare.

I talked to General Doolittle about that in Tunis. In his war room, lined with huge maps of the entire Allied battle front, he showed me how aircraft are dispatched almost on a moment's notice to any fighting sector to take care of difficult enemy implacements or stubborn resistance. Just two days before I arrived in Tunis, Doolittle said, General Montgomery was caught

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in what might have been a serious trap had it not been for the medium bombers that he called to the scene.

In an hour or two the bombers had done what General Montgomery's artillery could not have done in days -- if indeed Montgomery's ground forces could have done the job at all without heavy, bloody losses! This was only one case that Doolittle pointed out where a temporary setback had been turned, through immediate air support, into a victory.

But now the winter is here, and the weather is closing in. Jimmie Doolittle and Air-Marshal Tedder cannot send ships anywhere, at any time, on a moment's notice, as they did this summer. Is there anything optimistic about that?

Or, is there anything optimistic about the fact that the Allies have still not dared to cross that narrow strip of water called the English Channel, for the simple reason that the other side is lined solidly with sudden death? Can anyone really think it is going to be easy to bring Germany to her knees in unconditional surrender while her troops are solidly planted almost within spitting distance of Great Britain?

But, because the Nazis promise, through their propaganda bureau, to fold up; and because we'd like to get on with the peace, too many of us are getting eager to sidetrack the main job.

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Personally, I think it is serious enough to call for somebody to do something; and I came here tonight because I think you can help -- you advertisers and advertising people who have the talents and the facilities and the genius to make the American people understand the true facts, and to encourage them to do something about it.

I gave you a job once before, you will remember. Representatives of your group came to Washington a year ago and I told them, if I recall correctly, that we were faced with the biggest selling job in history with practically no precedent to go on.

Through your advertising council, you secured the volunteer help of the most capable advertising people in the United States and went to work. I think everyone knows what a splendid job has been done. *(Please know your Government does etc)*

During the Third War Loan advertisers sponsored 89,000 Third War Loan advertisements in the daily newspapers - a total of 61,573,588 lines, at a cost to themselves of more than six and one-half million dollars. Two thirds of the advertisements were prepared by the advertisers themselves, and one third were prepared for us by the War Advertising Council.

Practically all of the 10,000 weeklies carried sponsored advertisements throughout the Drive.

In daily and weekly newspapers, business supported the

- 7 -

campaign with more than eight and one-half million dollars worth of space.

On the radio you did a magnificent job. The National Broadcasters Association tells me 3,382 hours of radio time and 200,000 announcements (valued at \$12,000,000) carried Third War Loan messages to the public, throughout the days and nights of the Drive. Through the Allocation Plan and additionally contributed time, advertisers played a most important part. You gave us the use of your best radio audiences.

At least \$3,000,000 in magazine space was provided by advertisers and the magazines themselves. (250) ^{spell out} general magazines, 56 farm journals and 450 business and trade magazines each contributed a full page.

Advertisers and the Outdoor Industry provided by all odds the most expansive outdoor showing of all time. I am told this had a value of \$1,700,000.

This 3-week campaign, provided by advertisers, would have cost a commercial advertiser \$30,000,000 -- 10 million dollars a week!

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the position that "They don't mean me."

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It started back in the days when a handful of us who knew that war was inevitable, were trying to get the country ready for it, and trying to make the people see that, as the President said, we couldn't simply climb into bed and pull the covers over our heads.

In those days -- just four years ago -- Gallup polls pointed out, that 92% of all Democrats and 94% of all Republicans were saying that we should not fight. We were overwhelmingly, violently isolationist and pacifist.

Yet we knew that steps had to be taken -- steps that might look to some Americans as though we were inviting war. But we had a good idea of Hitler's program. We felt sure he intended to take Britain in the Spring of 1941, and then join forces with Japan and go to work on us in the fall. And we could not be sure that this program would not succeed.

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Today everyone everywhere agrees that we were scheduled on Hitler's program as much as Poland, Czechoslovakia, or Britain. But things were different then.

Even Dunkirk, in June 1940, did not inspire the American people to take a part in the war.

Here was the very moment when the light of civilization came nearest to dying, perhaps forever. The British were desperate. Their entire future, their whole defense depended upon getting materiel, and getting it quickly.

Winston Churchill had made it clear that the equipment losses at Dunkirk had been staggering. Great Britain needed everything -- artillery, ammunition, aircraft, and most of all rifles. Every able-bodied man in England had to be prepared to fight off invasion, but in all Britain there were no rifles for them, and you can't stop Nazis with sticks and stones.

Churchill wired the President for help. Somehow, by some means, couldn't we get them some rifles -- thousands of them -- and enough other equipment to prepare them for the invasion which they felt sure was imminent -- and which, if it had been imminent, almost certainly would have been successful.

General Marshall, Solicitor General Biddle and a group from the War Department came to my office. We had equipment that could be spared, including rifles. But General Marshall and I

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had no legal way to get them to the British. Public sentiment would not let us hand guns over to the British to help keep the Nazis on the other side of the World, no matter how important it might prove to be.

We sat in my office until well after midnight and eventually we succeeded in finding a substantial amount of equipment that the British could buy, legally, without involving the American Government in an act of war. Britain was again armed, meager though was the armament that we could furnish, and civilization passed a crisis. But it was a mighty narrow squeak.

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Counsel of the Treasury, found the other way. He found a law, passed and forgotten in 1892, giving the Secretary of War, "when in his discretion it will be for the public good," the privilege of leasing Army property to anyone who needed it. Out of this musty law, the entire lend-lease program was developed.

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Much of this change was due, of course, to the Jap attack at Pearl Harbor, but even while the Japs were pulling their sneak ^(surprise) attack, three out of every ten Americans felt that it was most important to stay out of the war, no matter what happened.

The striking reversal of public sentiment from narrow isolationism to a complete acceptance of international responsibility is a monument to public education. And you, here in this room, had as much to do with that education as any other group of people.

One of the chief channels through which this has been achieved, in my judgment, is the job you have helped do in promoting War Bonds.

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We in the Treasury have always seen, as a basic part of bond promotion, the maintenance of enthusiasm about this war. You have subscribed to this belief. We hit a high spot in this job, I believe, the day the Third War Loan opened, which was the day Italy surrendered. I wondered what the effect would be on the drive. I was not long finding out. One of our State Chairmen called up and said: "Well, I guess the Third War Loan is off -- the war's over and there's no need to raise money."

So we called in Ted Replier of the Advertising Council. "Write us an advertisement that will stop this in its tracks," I told Replier, and he went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front Defeat?" Then, because of the smooth working arrangement between your people and ours, the ad ran the next day in hundreds of newspapers throughout the Nation. It must have had a sobering effect on a lot of people, because we didn't get any more phone calls.

I have gone over this whole story of advertising's part in the war up to this point -- at least that part that I have had something to do with -- because I felt you would be interested in it. I think you have established a remarkable record. I think the stature of advertising has improved immeasurably as a result of what you people, who have thrown aside all thought

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of political differences, have done.

But this is not a funeral oration. Your job is not finished; it is barely begun. Much more remains to be done than any of us have found time to do up to this point. And the job is going to get more difficult every week, and every month, that the war wears on, because we are going to get tired. Everybody is going to get tired. We are going to want peace and relief from the restrictions that war puts on what we do, and what we eat, and what we have.

Unconditional surrender is a hard bargain, and there will be a temptation to settle for less as the possibility of peace approaches. I hope you will remember that. I hope you will put your minds to doing something about it.

I should like to make some further suggestions. Lately I have been thinking about two specific jobs that need to be done if we are to continue to improve the efficiency of our war effort both here and overseas. They take on a new importance today in view of the optimism which makes it hard for us to keep our eye on the ball.

On my recent trip to the front, I made what seemed to me to be a startling discovery. Our troops over there have very little idea of what is going on back here. Their sources of information are meager, and not very reliable.

(Should be single¹²⁷
out the Times?)

I left New York on October 12, and the New York Times that I bought that morning was the only American paper that I saw until I arrived back in Puerto Rico three weeks later. When I turned to the radio overseas for news from home, I discovered that you can't get news that way either. We at home get news six times a day from all the battle fronts of the war, but our boys get no news from America through Allied radio stations abroad. News comes to them through BBC, but British news reporting holds little satisfaction for the average American soldier.

Therefore, I want to suggest to you tonight that you use your facilities and your ingenuity to get American news abroad, and get it there every day. Get it there while it is hot, and get it direct from home. Some of you have worked with the Army, the Red Cross and other agencies, to get American things to American soldiers abroad, and it has done a great deal of good. But there is no substitute for American news. I hope some of you will take that as an assignment. I can tell you that it will be appreciated by every American soldier away from home, and by their officers too.

Then, there is another job that needs to be done, quickly and thoroughly.

We need to do a really good job of selling the war and increased production to American men and women on the production

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lines.

To put it in your own lingo, the chief commodity that we have for sale today is increased war production; and the most important group of customers today are those who can increase that production if their enthusiasm and interest can be stepped up.

During various bond drives I have visited many American factories. In virtually none of them is a thorough advertising job being done to sell the war and increase production to the men and women at work. In the few exceptions which I have investigated, it seems to have been proved beyond doubt that a good job of creating enthusiasm and interest through advertising methods has paid off in increased production, in less absenteeism, and in better plant morale.

One of the outstanding examples that I have seen is the Packard plant in Detroit. Like other corporations with a peace-time trade mark to preserve, Packard maintains an advertising campaign to the general public. But it's not this at the expense, and to the unfortunate neglect of a going advertising campaign to the people who made war. Packard went to work on this job the first to understand that

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a workman cannot get enthusiastic about working on some small assembly that he cannot imagine as an implement of war. To counteract this, Packard took their people down to the water front and showed them PT boats in action -- PT boats powered with motors, built by Packard workmen from thousands of parts that each individual workman was himself creating.

The Packard plant today is alive with posters and signs and slogans about the war. While visiting the plant, I told President Christopher how we came to bring the Rolls-Royce motor over here from England and what a difficult time we had of getting an American manufacturer to take on the vital job of making them. I reminded him how Packard set to work, and finally wound up building so many Rolls-Royce motors that we not only fill all our own requirements, but ship many back to England so they, over there, can step up their production of Lancaster bombers and fighters.

It's to the credit of the organization that this story was immediately given to the workers -- dramatized in a dozen different forms, brought to them in a dozen different ways. The result is that every man and woman who manufactures a part of the American Rolls-Royce motor feels he has some part in this dramatic war story.

I had another such experience in Evansville, Indiana, where huge landing craft are built in a ship yard along the Ohio River.

Before going to Evansville, I checked to find out if the people in there who are building these ships -- they are landing craft for tanks and heavy mobile artillery -- if they knew where the ships came from, how they came to be built and what they are doing in the war. I found they didn't. The story of the LST's was a mystery.

After a thorough search we found a dramatic story behind these craft. I won't go into it here, except to say that in the Bureau of Ships, filed among blue-prints, we found a cryptic telegram from the British Admiralty to its representative in the United States -- a telegram that in less than two hundred words revealed that a great change was taking place in modern warfare. The allies needed tanks, and needed a means of transporting them quickly into enemy territory. From that telegram, the LST was born; and the LST and similar landing craft built on the same pattern had a great part in our being able to invade Sicily, Sardinia, and Italy, and they are vital in our campaign to drive the Japs off the Pacific Islands.

To the workers in the Evansville shipyards, most of whom never saw the ocean, this story was glamorous and fascinating. It brought them closer to the war, and the ^{in?} President ^{M. W. WILKINSON} tells me there has been a perceptible lift in morale and efficiency since the people became aware of the importance of their jobs.

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I cite these two examples to indicate that there is a job to be done in most war plants, and it's a job that requires good advertising men.

I have talked several times to Donald Nelson since he returned from Russia, and he tells me that Russians have tackled this job with a vengeance -- and with amazing results. Over there, every factory is equipped with a huge map of the Russian front which is corrected daily. Every worker on the home front knows exactly what is happening on the war front almost as quickly as the General Staff of the Red Army. I think this is a technique which we might advantageously borrow. I think it would help greatly to solidify our determination to get the job done, and get it done quickly.

It is not part of my job in Washington to parcel out this task to you advertising men.

But as a citizen, and as an individual who has been able to observe what is being done and what isn't being done, I should like to throw out the suggestion that you concentrate on these two vital jobs. Developing techniques to do them will add a new chapter to the story some of you started nearly two years ago when you put advertising to work in the interests of preserving the Nation and in helping to bring about the unity which Hitler thought we could never achieve.

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In closing, I should like to make just one more observation. A year ago, I went to England. What I saw there gave me a lot of inspiration, and a lot of confidence about the outcome of this war. I came back knowing in my heart that we were going to win it. The British had survived the Blitz. Slowly and painfully they had overtaken the enemy. Obviously, it would take a long time, but in the end we would win.

When I returned from the front early this month, I felt far more grim about the war than I did a year ago. I had an opportunity to discuss the actual fighting and the nature of our enemy with General Eisenhower, and General Patton and General Devers and General Mark Clark. I was given a pretty clear idea of the down right heroism that is required of our men when they are called upon to face the tough, fanatic Nazis. I achieved a very healthy respect for the blood and sweat that goes into every foot of enemy ground we take, And I found no evidence anywhere along the line that we are near the end, unless it comes through some freak of circumstance.

I can assure you, on the other hand, that the destruction of Germany must be fantastic. I saw destruction. I saw the Port of Naples, lying in a mess of ruins. I saw the Port of Palermo battered so badly that one sizable ship lay high and dry on a wharf, blown completely out of the water. But

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General Patton assured me that Palermo was only three or four percent destroyed. Hamburg has been 78% destroyed, and several other German cities have received almost as much destruction.

Yes, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. It is possible that we will be awakened some morning by whistles and bells and paper boys selling extras.

But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a great deal of our precious energy into making ready for it, and then find that it shows no signs of coming. And in the meantime, good American young men are losing their lives trying to end the war the hard way, because they have no choice except to do it that way, or not at all.

Draft #3

Gentlemen:

I am glad to have this opportunity tonight to talk to the Nation's leading advertising people, because I have confidence in the ability of advertising men to bring the facts of the war to ~~our~~ ^{the American Public} people. And today, perhaps more than at any time since the war began, there is a vital job to be done on that front.

The dangerous dream of a quick end to this war grows more serious every day. It is particularly pressing right now. On every hand we see ^{the} a surge of activity to prepare for post-war, ^{at the expense of the job at hand} ^{structure} The stock market has been in a steady plunge ever since word first got around that the Nazis are about to crack. The newspapers regularly report new signs of the coming collapse of Germany. In Washington the exodus to after-the-war jobs has started in earnest.

No one in Washington can give me any concrete evidence that Germany is tottering on the brink of capitulation -- and I have sought out practically everyone who would have any reason to know. And I can tell you that ^{the} the Nazi troops are not near cracking ~~at least~~ ^{at least} on the Italian front. [It is always possible, of course, that the people on the Nazi Home Front will be unable to take the ^{bad news from Russia or the} terrible destruction our bombs are raining upon them;

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~~on the bad news from Russia.~~ } But if the Nazi Home Front should crack, that would be a wind-fall. In the meantime, we are only playing Hitler's game ~~to~~ ^{when we} see peace just around the corner.

I am convinced, by the way, that the Nazis have a proprietary interest in this wave of optimism. The ~~first~~ ^{early} signs of German collapse came from stories printed in Nazi controlled newspapers; then from travelers out of ~~Nazi~~ Germany, who reported their observations to neutral newspapers, chiefly those with pro-Nazi tendencies. Finally, Hitler himself managed to convey the impression in his most recent speech that life in Germany is hell. I cannot think that he and Mr. Goebbels would be so tender about keeping us posted of a coming crisis unless there is a rabbit in the hat somewhere.

~~the~~ ^{those} ~~who~~ ~~are~~ hailing an early crack-up of the German nation have not talked to German prisoners, I can assure you of that. I had some first hand reports on the state of mind of prisoners when I was in Italy. They are mighty arrogant. They believe in Adolf Hitler, and say the Russian campaign is the fault of the German generals. They don't understand when you talk to them about Democracy. They say: "What? A nation without a ~~Fuehrer?~~ ^{Fuehrer?} That is chaos!" ~~Our nation must have a Fuehrer~~ " Then if you pursue the subject of their present leader, they may admit that he is not perfection -- he will have to do until they

can find another. And -- get this, gentlemen -- they say their next Fuehrer will win the next great war. So here they are -- these defeated ~~many~~ prisoners -- already planning another assault on civilization.

This is one reason why we must concentrate on fighting the war right up to the last bitter day. There is a good chance that letting down now can needlessly prolong the war for weeks and months.

I was in Italy three weeks ago. I went with General Mark Clark up to the front lines. I drove in a jeep through the mountains to a spot within a mile of the Nazi troops. I went through a small village -- or what had ~~was~~ a few days before, been a village - called Dragoni. It was still smouldering. American bulldozers were busy clearing debris out of the streets so that our supply trucks could get through; and at one spot our jeep had to climb high over a pile of masonry and stones that the day before had been a public building. That was about all there was left of Dragoni -- that huge pile of wreckage. It was the same in a half dozen other small towns that we passed through. That happens because the Nazis don't like fighting in the open. They run from building to building, and Mark Clark's Fifth Army or Jimmy Doolittle's planes simply have to take the buildings down around them. It is, I can tell you, a mighty

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When I broadcast from Algiers, I

slow and difficult process. ~~pointed out some of the problems~~
of fighting over there, ~~in the broadcast I made, immediately~~
~~after returning from the front:~~ "I had no idea," I said, "of
the terrible terrain in this area over which we must fight the
Nazis. The area between Naples and Rome is mountainous and
thick with trees and foliage. It is ideal for defensive action,
because the Nazi forces can hide high in the mountains, and
fire on our forces without being seen. And when they are driven
from one mountain, they need only to retreat a few hundred yards
to another and it is the same thing all over again."

Since I left Dragoni, the Allied Armies have managed to
get fifteen miles closer to Rome. Five bloody, hard-earned
miles a week, that's all. ^{it isn't the fault of our fighting men they are} But no army in the world could move
any faster. It will be almost a miracle if we are in Rome before
Christmas.

And that's the picture on the Italian front while we, back
here, are congratulating ourselves on polishing off the war in
a hurry.

But even that's not the whole story.

The weather is closing in over there. Our troops may be
without air protection more of the time than they will have it,
and they tell me that air protection is just about the most
important single factor in modern invasion.

difficulties
 they are
 in the junky condition of the
 front is that

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I talked to General Doolittle about that in Tunis. In his war room, lined with huge maps of the entire Allied battle front, he showed me how aircraft are dispatched almost on a moment's notice to any fighting sector to take care of difficult enemy implacements or stubborn resistance. Just two days before I arrived in Tunis, Doolittle said, General Montgomery was caught in what might have been a serious trap had it not been for the medium bombers that he called to the scene.

In an hour or two the bombers had done what General Montgomery's artillery could not have done in days -- if indeed ~~Montgomery~~ ^{the} ground forces could have done the job at all without heavy, bloody losses! This was only one case that Doolittle pointed out where a temporary setback had been turned, through immediate air support, into a victory.

But now the winter is here, and the weather is closing in. Jimmie Doolittle and Air-Marshal Tedder cannot send airplanes anywhere, at any time, on a moment's notice, as they did this summer. Is there any promise of early peace about that?

Or, can you find hope of quick victory in the fact that the Allies have still not crossed that narrow ditch called the English Channel, for the simple reason that the other side is lined solidly with sudden death? Can anyone really think it is going to be easy to bring Germany to her knees in uncon-

ditional surrender while her troops are planted ~~about~~ within gunshot of Great Britain?

But because the Nazis promise, through their propaganda bureau, to fold up; and because we'd like to get on with the peace, too many of us are getting eager to sidetrack the main job.

Personally, I think it is serious enough to call for somebody to do something; and I came here tonight because I think you advertisers and advertising people who are already using your talents and facilities and genius to make the American people understand many of the facts of war, can do still more.

I asked your help once before. Representatives of your group came to Washington a year ago and I told them, if I recall correctly, that we were faced with the biggest selling job in history with practically no precedent to go on.

Through your advertising council, you secured the volunteer help of the ablest advertising people in the United States and the cooperation of advertisers and media, and went to work. I think everyone knows what a splendid job has been done.

During the Third War Loan, advertisers sponsored 89,000 advertisements in the daily newspapers - a total of 61,573,588 lines, at a cost to themselves of more than six and one-half million dollars. Two-thirds of the advertisements were prepared by the advertisers themselves, and one-third were prepared for

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fan tree,

us by the War Advertising Council.

Throughout the Drive, practically all of the 10,000 weeklies carried advertisements which were paid for by one or more local businesses.

In daily and weekly newspapers, business supported the campaign with more than eight and one-half million dollars worth of space.

On the radio you did a magnificent job. The National Association of Broadcasters tells me 3,382 hours of radio time and 200,000 announcements (valued at \$12,000,000) carried Third War Loan messages to the public, throughout the days and nights of the Drive. Through the Allocation Plan and additionally contributed time, advertisers played a most important part. You gave us the use of your best radio audiences.

At least \$3,000,000 in magazine space was provided by advertisers and the magazines themselves. 250 general magazines, 56 farm journals and 450 business and trade magazines each contributed a full page.

Advertisers and the Outdoor Industry provided by all odds the most expansive outdoor showing of all time. I am told this had a value of \$1,700,000.

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This 3 week campaign, provided by advertisers, would have cost a commercial advertiser \$30,000,000 -- 10 million dollars a week!

Summary
 A National ~~Cross Section Public Opinion~~ made afterward revealed that 90% of the people in the country knew about the Bond Drive, and understood that extra Bond purchases were the measurement of participation. This was an important contribution, for in previous Drives, too much of the public took the position that "They don't mean me."

Last April one person in five bought extra bonds. In September, one in three bought extra bonds - and the overwhelming reason given by the other two-thirds was that they could not afford it. You see, therefore, something of the job advertising ~~was done.~~

Spence
 You may be interested to know that my experience with advertising in connection with this war started even before the War Loans.

It started back in the days when those of us who felt that an attack on the United States was inevitable, were trying to get the country ready to defend our shores against any aggressor. Our biggest job was trying to make the people see that, as the President said, we couldn't simply climb into bed

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and pull the covers over our heads.

In those days -- about four years ago -- Gallup polls pointed out that 92% of all Democrats and 94% of all Republicans were saying that we simply should not fight.

Yet steps had to be taken to protect ourselves -- steps that ~~looked to some Americans as though we were inviting war by~~ ^{worried} ~~admitting his approach.~~ ^{because they thought we were} ~~inviting war simply because we admitted it approach.~~ ^{even then} But we had a good idea of Hitler's program. We felt sure he intended to take Britain in the Spring of 1941, and then join forces with Japan and go to work on us in the fall. And we could not be sure that this program would not succeed.

Today everyone everywhere agrees that we were scheduled on the aggressors' program as much as Poland, Czechoslovakia, or Britain. But things were different then.

Even Dunkirk, and the Fall of France, did not arouse the American people to a sense of the reality of the danger ahead.

Here was the very moment when the light of civilization in Europe came nearest to dying, perhaps forever. The British were desperate. Their entire future, their whole defense depended upon getting materiel, and getting it quickly.

Winston Churchill had made it clear that equipment losses at Dunkirk had been staggering. Britain needed everything -- artillery, ammunition, aircraft, and most of all rifles. Every able-bodied man in England had to be prepared to fight off

invasion, but in all Britain there were no rifles for them, and not much of anything else, and you can't stop Nazis with sticks and stones.

The British needed help, somehow, by some means, we had to get them some rifles, and enough other equipment to prepare them for the invasion which seemed imminent -- and which, if it had been imminent, almost certainly would have been successful.

General Marshall, Solicitor General Biddle and a group from the War and Navy departments came to my office to discuss what might be done. After twenty years of peace, we, ~~of course~~, had very little equipment of any sort to use in fighting a war. But we felt that if we dug deeply enough we could find some obsolete materiel, and perhaps some equipment in private hands, that would help out. By midnight, we had found quite a collection of usable materiel. For example, we found five hundred old 75 millimeter guns, and four hundred Thompson sub-machine guns ~~all of which~~ was left over from the last war. The Navy turned up five ~~hundred~~ thousand obsolete 30 pound bombs and the Army found 560 hundred pounders. Some place, we found 50 ^{out of date} ~~one-ton~~ torpedoes, and someone came up with five hundred 38 caliber revolvers which antedated even the first world war.

~~Under~~ ^{To} arm the ~~1st~~ foot soldiers and the Home Guard, we managed to dig up nearly a half million rifles. We might have added to this several thousand more old Springfield 30-30's, but there was no ammunition to be

found anywhere in the world, and the guns were no good without bullets.

What was more important, we found that this equipment could be sold legally to the British without involving the American Government in an act of war.

When I look back over the last three or four years, I think this meeting stands out above all else in my mind, because the stakes were so great. I am proud and happy to have had a hand in arranging for this materiel to go to England in her darkest moment. I shudder a little to think of our cast-off equipment being thrown into battle against the Nazis' modern machinery of war, but it was certainly better than nothing. Britain was again armed, inefficient and meager though the armament may have been, and civilization passed a crisis. But it was a mighty narrow squeak.

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invasion, but in all Britain there were no rifles for them, and you can't stop Nazis with sticks and stones.

The British needed
~~Churchill~~ ~~went~~ ~~to~~ ~~the~~ ~~President~~ ~~for~~ ~~help~~. Somehow, by some means, couldn't we get them some rifles -- thousands of them -- and enough other equipment to prepare them for the invasion which they felt sure was imminent -- and which, if it had been imminent, almost certainly would have been successful.

General Marshall, Solicitor General Biddle and a group from the War Department came to my office and by midnight, we had found a substantial amount of equipment that the British could buy, legally, without involving the American Government in an act of war. Britain was again armed, meager though the armament was that we could furnish, and civilization passed a crisis. ~~But it was a mighty narrow squeak.~~

It was back in these days when we were struggling to make the public see what stark dangers lay ahead that American

advertising men first came to the aid of their Government. It

the American people were not getting the true message
 seemed obvious, at least to me, that ~~we were not getting anywhere~~
scarcely of the ~~by depending upon straight news reports to warn the American~~
They did not see

~~the~~ ~~people~~ approaching danger. Something more positive had to be done. That something, it seemed to me, was some good, factual, hard hitting advertising to help the people see and feel what we were up against.

- 10 -

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~~Churchill~~ ~~wrote~~ the President for help. Somehow, by some means, couldn't we get them some rifles -- thousands of them -- and enough other equipment to prepare them for the invasion which they felt sure was imminent -- and which, if it had been imminent, almost certainly would have been successful.

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the ~~people~~ approaching danger. Something more positive had to be done. That something, it seemed to me, was some good, factual, hard hitting advertising to help the people see and feel what we were up against.

Not long after that, advertising began to appear. It was bought and paid for by patriotic Americans who took upon themselves the responsibility of making their friends and neighbors aware of the situation. These ~~advertisements~~ ^y were written by some of you advertising men, I think, who are here tonight. You were pioneers then. You were pioneering the biggest job of public information in history. And you were pioneering too in giving advertising the dignity of social responsibility.

Obviously we could not continue indefinitely to find antiquated guns and odd bits of equipment in private hands ^{for the} ~~to that~~ the British ^{to} ~~could~~ buy ~~it~~ and use ~~it~~. The time had come to take drastic steps. We knew for example that a few months later there would be a crisis in the British Navy; ^{with the rising power of the German Navy} ~~that it would prove~~ ^{Britain would have too few ships} ~~to~~ defend ~~itself~~, let alone keep the invading Nazis in any kind of check.

The public had to be made aware of this ~~difficult~~ situation. The majority of newspapers went to work on the problem editorially and you prepared an advertising campaign that helped achieve amazing results. That was only three months after Dunkirk, but the Gallup box score began to look much different than it had before. Sixty percent of the American people stood solidly back of the President in transferring over-aged destroyers to the British to help bolster their Navy. The people were beginning to see.

A few months later there was another educational job to be done. Nazi U boats were preventing our shipping from reaching its destination. ~~It was necessary~~ ^{It became} necessary either to convoy our freighters or ~~to~~ ^{to} simply consign a good part of our material to Davy Jones. An advertising campaign was planned by you ad men to tell the public about the problem, and again you were helped by many influential editorial columns. I remember one of the advertisements. It was headed "Okay, Mr. President, go ahead and clear the Atlantic."

What the President was able to do in a fireside chat, plus what you were able to do, ^{gained} ~~threw~~ the support of a majority of American voters behind ~~this very warlike move.~~ ^{the ~~President's~~ idea of transferring some of our} Fifty-five percent of the people backed the decision, and only thirty-eight percent definitely opposed it. A few weeks before, fifty percent of the people had been definitely against it and only forty-one percent were willing to see it done. Here again was a victory for the policy of letting the people know ^{the facts.}

Public sentiment is much improved now. Today the Nation is not only solidly behind the war, but has gone on record as wishing to take on ^{a big share of the} responsibility in helping keep world peace.

Much of this change was due to the Jap attack at Pearl Harbor. But even while the Japs were pulling their sneak attack, three out of every ten Americans ^{still} felt that it was most important to stay out of the European war.

through world organization

Running from Chicago...

...the...

The striking reversal of public sentiment from narrow isolationism to a complete acceptance of International responsibility is a monument to public education. And some of you who are here in this room ^{by writing and financing advertising campaigns,} had as much to do with that education over a period of time as any other group of people.

Since the early days, when most of the work was done in spare time by patriotic volunteers ~~like Shot LaRoché and Emmett~~ ~~Scott~~, you have taken the war as your professional assignment. ~~It is~~. It is no longer a spare time operation. You are ^{and converting sizable portions of your ap} putting your best brains ~~on~~ this war information job. This job which I want to repeat must be stepped up, not tapered off, as we march toward Victory.

Some of this increased war information effort can and should be channeled through bond advertising. Promoting bonds, I feel, is a double-headed job. Half the job is raising money, but the other half is maintenance of interest in this war, and what it means to every American.

We hit a high spot in this job, I believe, the day the Third War Loan opened, which also was the day Italy surrendered. I wondered what the effect would be on the drive. I was not long finding out. One of our State Chairmen called up and said: "Well, I guess the Third War Loan is off -- the war's over and there's no need to raise money."

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So we called in Ted Replier of the Advertising Council. "Write us an advertisement that will stop this in its tracks," I told Replier, and he went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front Defeat?" Then, because of the smooth working arrangement between your people and ours, ^{Starting running} the ad ~~the next day~~, ^{the next day} in ~~hundreds of~~ ⁹⁷⁰ newspapers throughout the Nation. We followed this up ~~with a good job of merchandising~~ ^{by telling the people} the bitter truth about our equipment losses in Sicily. We must have had a sobering effect on a lot of people, because we didn't get any more phone calls, and that particular ~~surge~~ ^{surge} of optimism soon ~~filled~~ ^{folded away}.

I want to make one more observation.

A year ago, I went to England. What I saw there gave me a lot of inspiration, and a lot of confidence about the outcome of this war. I came back knowing in my heart that we were going to win. The British had survived the Blitz; the Russians had stopped the German advance; we had halted the Jap drive in the far East. Slowly and painfully the Allies were overtaking the enemy's lead. Obviously, it would take a long time, but in the end we would win.

When I returned from the front early this month, I felt far more grim about the war than I did a year ago. I had an opportunity to discuss the actual fighting and the nature of

our enemy with many American and British officers and men. I was given a pretty clear idea of the heroism required of our men when they face the tough, fanatic Nazis, and as a result I achieved a ~~very~~ healthy respect for the blood and sweat that goes into every foot of enemy ground we take. And I found no evidence anywhere along the line that we are near the end, unless the end should come through some freak of circumstance.

I do not want to underestimate however, the effects that the terrible defeats in Russia, or the destruction of Germany, must have ~~on~~ the Nazi Home Front. That destruction must be fantastic. In Italy I saw what bombs can do. I saw the Port of Naples, lying in a mass of ruins. I saw the Port of Palermo in Sicily battered so badly that one sizable ship lay high and dry on a wharf, blown completely out of the water. But General Patton assured me that Palermo was only three or four percent destroyed. Hamburg has been seventy-eight percent destroyed, and several other German cities have received almost as much destruction.

Yes, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. We may be awakened some morning by whistles and bells and ~~news~~ ^{News} paper boys selling extras.

But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a

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great deal of our precious energy into making ready for it, and then find that it shows no signs of coming. And in the meantime, good American young men are losing their lives trying to end the war the hard way, because they have no choice except to do it that way, or not at all.

~~I have gone over this whole story of advertising's part in the war up to this point -- at least that part on which we have worked together -- because I felt you would be interested in it.~~

I think you have established a remarkable record. I think the stature of advertising has improved immeasurably as a result of what you people, who have thrown aside all thought of political differences, have done.

But this is no funeral oration. Your job is barely begun. And the job is going to get more difficult every week, and every month, that the war wears on. Because we are going to get tired. Everybody is going to get tired. We are going to want peace and relief from the restrictions that war puts on what we do, and what we eat, and what we have.

Unconditional surrender is a large order, and there may be a temptation to settle for less as the possibility of peace approaches. I hope you will remember that. I hope you will put your minds to doing something about it, and thus continue the patriotic record that some of you started back in those early days of Defense.

I am ^{glad} proud that you and I have been partners ^{so often} in the use of advertising in connection with this war. I have gone over the whole story because I thought you would be interested in it. I have liked working with you. (insert A)

Draft #3

Gentlemen:

I am glad to have this opportunity tonight to talk to the Nation's leading advertising people, because I have confidence in the ability of advertising men to bring the facts of the war to our people. And today, perhaps more than at any time since the war began, there is a vital job to be done on that front.

The dangerous dream of a quick end to this war grows more serious every day. It is particularly pressing right now. On every hand we see a surge of activity to prepare for post-war. The stock market has been in a steady plunge ever since word first got around that the Nazis are about to crack. The newspapers regularly report new signs of the coming collapse of Germany. In Washington the exodus to after-the-war jobs has started in earnest.

No one in Washington can give me any concrete evidence that Germany is tottering on the brink of capitulation -- and I have sought out practically everyone who would have any reason to know. And I can tell you that the Nazi troops are not near cracking at least on the Italian front. It is always possible, of course, that the people on the Nazi Home Front will be unable to take the ^{(Had news from Russia or the} terrible destruction our bombs are raining upon them;

- 2 -

~~or the bad news from Russia.~~ But if the Nazi Home Front should crack, that would be a wind-fall. In the meantime, we are only playing Hitler's game ^{when we} to see peace just around the corner.

I am convinced, by the way, that the Nazis have a proprietary interest in this wave of optimism. The first signs of German collapse came from stories printed in Nazi controlled newspapers; then from travelers out of Nazi Germany, who reported their observations to neutral newspapers, chiefly those with pro-Nazi tendencies. Finally, Hitler himself managed to convey the impression in his most recent speech that life in Germany is hell. I cannot think that he and Mr. Goebbels would be so tender about keeping us posted of a coming crisis unless there is a rabbit in the hat somewhere.

The people who are hailing an early crack-up of the German nation have not talked to German prisoners, I can assure you of that. I had some first hand reports on the state of mind of prisoners when I was in Italy. They are mighty arrogant. They believe in Adolf Hitler, and say the Russian campaign is the fault of the German generals. They don't understand when you talk to them about Democracy. They say: "What? A nation without a ^{Fuehrer} leader? That is chaos." ~~Our nation must have a Fuehrer.~~ Then if you pursue the subject of their present leader, they may admit that he is not perfection -- he will have to do until they

X
can find another. And -- get this, gentlemen -- they say their next Fuehrer will win the next great war. So here they are -- these defeated ~~ambush~~ prisoners -- already planning another assault on civilization.

This is one reason why we must concentrate on fighting the war right up to the last bitter day. There is a good chance that letting down now can needlessly prolong the war for weeks and months.

I was in Italy three weeks ago. I went with General Mark Clark up to the front lines. I drove in a jeep through the mountains to a spot within a mile of the Nazi troops. I went through a small village -- or what had, a few days before, been a village - called Dragoni. It was still smouldering. American bulldozers were busy clearing debris out of the streets so that our supply trucks could get through; and at one spot our jeep had to climb high over a pile of masonry and stones that the day before had been a public building. That was about all there was left of Dragoni -- that huge pile of wreckage. It was the same in a half dozen other small towns that we passed through. That happens because the Nazis don't like fighting in the open. They run from building to building, and Mark Clark's Fifth Army or Jimmy Doolittle's planes simply have to take the buildings down around them. It is, I can tell you, a mighty

When I heard ~~from~~ ^{from} ~~the~~ ^{the} ~~regiment~~ ^{regiments} last Oct 22nd

slow and difficult process. I pointed out some of the ~~problems~~ ^{difficulties} of fighting over there ~~in the broadcast I made, immediately~~ after ~~returning from the front~~: "I had no idea," I said, "of the terrible terrain in this area over which we must fight the Nazis. The area between Naples and Rome is mountainous and thick with trees and foliage. It is ideal for defensive action, because the Nazi forces can hide high in the mountains, and fire on our forces without being seen. And when they are driven from one mountain, they need only to retreat a few hundred yards to another and it is the same thing all over again."

Since I left Dragoni, the Allied Armies have managed to get fifteen miles closer to Rome. Five bloody, hard-earned miles a week, that's all. But no army in the world could move any faster. It will be almost a miracle if we are in Rome before Christmas.

And that's the picture on the Italian front while we, back here, are congratulating ourselves on polishing off the war in a hurry.

But even that's not the whole story.

The weather is closing in over there. Our troops may be without air protection more of the time than they will have it, and they tell me that air protection is just about the most important single factor in modern invasion.

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I talked to General Doolittle about that in Tunis. In his war room, lined with huge maps of the entire Allied battle front, he showed me how aircraft are dispatched almost on a moment's notice to any fighting sector to take care of difficult enemy implacements or stubborn resistance. Just two days before I arrived in Tunis, Doolittle said, General Montgomery was caught in what might have been a serious trap had it not been for the medium bombers that he called to the scene.

In an hour or two the bombers had done what General Montgomery's artillery could not have done in days -- if indeed Montgomery's ground forces could have done the job at all without heavy, bloody losses! This was only one case that Doolittle pointed out where a temporary setback had been turned, through immediate air support, into a victory.

But now the winter is here, and the weather is closing in. Jimmie Doolittle and Air-Marshal Tedder cannot send airplanes anywhere, at any time, on a moment's notice, as they did this summer. Is there any promise of early peace about that?

Or, can you find hope of quick victory in the fact that the Allies have still not crossed that narrow ditch called the English Channel, for the simple reason that the other side is lined solidly with sudden death? Can anyone really think it is going to be easy to bring Germany to her knees in uncon-

- 6 -

ditional surrender while her troops are planted almost within gunshot of Great Britain?

But because the Nazis promise, through their propaganda bureau, to fold up; and because we'd like to get on with the peace, too many of us are getting eager to sidetrack the main job.

Personally, I think it is serious enough to call for somebody to do something; and I came here tonight because I think you advertisers and advertising people who are already using your talents and facilities and genius to make the American people understand many of the facts of war, can do still more.

I asked your help once before. Representatives of your group came to Washington a year ago and I told them, if I recall correctly, that we were faced with the biggest selling job in history with practically no precedent to go on.

Through your advertising council, you secured the volunteer help of the ablest advertising people in the United States and the cooperation of advertisers and media, and went to work. I think everyone knows what a splendid job has been done.

During the Third War Loan advertisers sponsored 89,000 advertisements in the daily newspapers - a total of 61,573,583 lines, at a cost to themselves of more than six and one-half million dollars. Two-thirds of the advertisements were prepared by the advertisers themselves, and one-third were prepared for

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us by the War Advertising Council.

Throughout the Drive, practically all of the 10,000 weeklies carried advertisements which were paid for by one or more local businesses.

In daily and weekly newspapers, business supported the campaign with more than eight and one-half million dollars worth of space.

On the radio you did a magnificent job. The National Association of Broadcasters tells me 3,382 hours of radio time and 200,000 announcements (valued at \$12,000,000) carried Third War Loan messages to the public, throughout the days and nights of the Drive. Through the Allocation Plan and additionally contributed time, advertisers played a most important part. You gave us the use of your best radio audiences.

At least \$3,000,000 in magazine space was provided by advertisers and the magazines themselves. 250 general magazines, 56 farm journals and 450 business and trade magazines each contributed a full page.

Advertisers and the Outdoor Industry provided by all odds the most expensive outdoor showing of all time. I am told this had a value of \$1,700,000.

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This 3 week campaign, provided by advertisers, would have cost a commercial advertiser \$30,000,000 -- 10 million dollars a week!

A National Cross Section ^{of} Public Opinion made afterward revealed that 90% of the people in the country knew about the Bond Drive, and understood that extra Bond purchases were the measurement of participation. This was an important contribution, for in previous Drives, too much of the public took the position that "They don't mean me."

Last April one person in five bought extra bonds. In September, one in three bought extra bonds - and the overwhelming reason given by the other two-thirds was that they could not afford it. You see, therefore, something of the job advertising has done.

But you may be interested to know that my experience with advertising in connection with this war started even before the War Loans.

It started back in the days when those of us who felt that an attack on the United States was inevitable, were trying to get the country ready to defend our shores against any aggressors. Our biggest job was trying to make the people see that, as the President said, we couldn't simply climb into bed

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and pull the covers over our heads.

In those days -- about four years ago -- Gallup polls pointed out that 92% of all Democrats and 94% of all Republicans were saying that we simply should not fight.

Yet steps had to be taken to protect ourselves -- steps that looked to some Americans as though we were inviting war by admitting ~~its approach~~. *That it was coming closer* But we had a good idea of Hitler's program. We felt sure he intended to take Britain in the Spring of 1941, and then join forces with Japan and go to work on us in the fall. And we could not be sure that this program would not succeed.

Today everyone everywhere agrees that we were scheduled on the aggressors' program as much as Poland, Czechoslovakia, or Britain. But things were different then.

Even Dunkirk, and the Fall of France did not arouse the American people to a sense of the reality of the danger ahead.

Here was the very moment when the light of civilization in Europe came nearest to dying, perhaps forever. The British were desperate. Their entire future, their whole defense depended upon getting materiel, and getting it quickly.

Winston Churchill had made it clear that equipment losses at Dunkirk had been staggering. Britain needed everything -- artillery, ammunition, aircraft, and most of all rifles. Every able-bodied man in England had to be prepared to fight off

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invasion, but in all Britain there were no rifles for them, and you can't stop Nazis with sticks and stones.

Churchill wired the President for help. Somehow, by some means, couldn't we get them some rifles -- thousands of them -- and enough other equipment to prepare them for the invasion which they felt sure was imminent -- and which, if it had been imminent, almost certainly would have been successful.

General Marshall, Solicitor General Biddle and a group from the War Department came to my office and by midnight, we had found a substantial amount of equipment that the British could buy, legally, without involving the American Government in an act of war. Britain was again armed, meager though the armament was that we could furnish, and civilization passed a crisis. But it was a mighty narrow squeak.

It was back in these days when we were struggling to make the public see what stark dangers lay ahead that American advertising men first came to the aid of their Government. It seemed obvious, at least to me, that we were not getting anywhere by depending upon ^{only} ~~straight~~ news reports to warn the American people of approaching danger. Something more positive had to be done. That something, it seemed to me, was some good, factual, hard hitting advertising to help the people see and feel what we were up against.

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Not long after that, advertising began to appear. It was bought and paid for by patriotic Americans who took upon themselves the responsibility of making their friends and neighbors aware of the situation. These advertisements were written by some of you advertising men, I think, who are here tonight. You were pioneers then. You were pioneering the biggest job of public information in history. And you were pioneering too in giving advertising the dignity of social responsibility.

Obviously we could not continue indefinitely to find antiquated guns and odd bits of equipment in private hands so that the British could buy it and use it. The time had come to take drastic steps. We knew for example that a few months later there would be a crisis in the British Navy; that it would prove too small to defend itself, let alone keep the invading Nazis in any kind of check.

The public had to be made aware of this difficult situation. The majority of newspapers want to work on the problem editorially and you prepared an advertising campaign that helped achieve amazing results. That was only three months after Dunkirk, but the Gallup box score began to look much different than it had before. Sixty percent of the American people stood solidly back of the President in transferring over-aged destroyers to the British to help bolster their Navy. The people were beginning to see.

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A few months later there was another educational job to be done. Nazi U boats were preventing our shipping from reaching its destination, and we could see that it would be necessary either to convoy our freighters or to simply consign a good part of our materiel to Davy Jones. An advertising campaign was planned by you ad men to tell the public about the problem and again you were helped by many influential editorial columns. I remember one of the advertisements. It was headed "Okay, Mr. President, go ahead and clear the Atlantic."

What the President was able to do in a fireside chat, plus what you were able to do, ^{gained} ~~threw~~ the support of a majority of American voters behind this ~~very~~ ⁱⁿ ~~wise~~ move. Fifty-five percent of the people backed the decision, and only thirty-eight percent definitely opposed it. A few weeks before, fifty percent of the people had been definitely against it and only forty-one percent were willing to see it done. Here again was a victory for the policy of letting the people know.

Public sentiment is much improved now. Today the Nation is not only solidly behind the war, but has gone on record as wishing to take on responsibility in helping keep world peace. ^(Moscow Peace)

Much of this change was due to the Jap attack at Pearl Harbor. But even while the Japs were pulling their sneak attack, three out of every ten Americans felt that it was most important to stay out of the European war.

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The striking reversal of public sentiment from narrow isolationism to a complete acceptance of International responsibility is a monument to public education. And some of you who are here in this room had as much to do with that education over a period of time as any other group of people.

Since the early days, when most of the work was done in spare time by patriotic volunteers ~~like~~ ~~that~~ ~~LaRoche~~ ~~and~~ ~~Emmett~~ ~~Corrigan~~, you have taken the war as your professional assignment ~~in total war~~. It is no longer a spare time operation. You are putting your best brains on this war information job. This job which I want to repeat must be stepped up, not tapered off, as we march toward Victory.

Some of this increased war information effort can and should be channeled through bond advertising. Promoting bonds, I feel, is a double-headed job. Half the job is raising money, but the other half is maintenance of interest in this war, and what it means to every American.

We hit a high spot in this job, I believe, the day the Third War Loan opened, which also was the day Italy surrendered. I wondered what the effect would be on the drive. I was not long finding out. One of our State Chairmen called up and said: "Well, I guess the Third War Loan is off -- the war's over and there's no need to raise money."

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So we called in Ted Replier of the Advertising Council. "Write us an advertisement that will stop this in its tracks," I told Replier, and he went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front Defeat?" Then, because of the smooth working arrangement between your people and ours, the ad ran the next day in hundreds of newspapers throughout the Nation. We followed this up with a ~~good job of merchandising~~ ^{Telling the people} the bitter truth about our equipment losses in Sicily. We must have had a sobering effect on a lot of people, because we didn't get any more phone calls, and that particular wave of optimism soon ~~cracked~~ ^{disappeared}.

I want to make one more observation.

A year ago, I went to England. What I saw there gave me a lot of inspiration, and a lot of confidence about the outcome of this war. I came back knowing in my heart that we were going to win. The British had survived the Blitz; the Russians had stopped the German advance; we had halted the Jap drive in the far East. Slowly and painfully the Allies were overtaking the enemy's lead. Obviously, it would take a long time, but in the end we would win.

When I returned from the front early this month, I felt ^{sure we would win, but I felt} far more grim about the war than I did a year ago. I had an opportunity to discuss the actual fighting and the nature of

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great deal of our precious energy into making ready for it, and then find that it shows no signs of coming. And in the meantime, good American young men are losing their lives trying to end the war the hard way, because they have no choice except to do it that way, or not at all.

I have gone over this whole story of advertising's part in the war up to this point ~~at least that part on which we have worked together~~ because I felt you would be interested in it. I think you have established a remarkable record. I think the stature of advertising has improved immeasurably as a result of what you people, who have thrown aside all thought of political differences, ^{as a result} have done.

But this is no funeral oration. Your job is barely begun. And the job is going to get more difficult every week, and every month, that the war wears on. Because we are going to get tired. Everybody is going to get tired. We are going to want peace and relief from the restrictions that war puts on what we do, and what we eat, and what we have.

Unconditional surrender is a large order, and there may be a temptation to settle for less as the possibility of peace approaches. I hope you will remember that. I hope you will put your minds to doing something about it, and thus continue the patriotic record that some of you started back in those early days of Defense.

our enemy with many American and British officers and men. I was given a pretty clear idea of the heroism required of our men when they face the tough, fanatic Nazis, and as a result I achieved a very healthy respect for the blood and sweat that goes into every foot of enemy ground we take. And I found no evidence anywhere along the line that we are near the end, unless the end should come through some ~~kind~~ freak of circumstance.

I do not want to underestimate however, the effects that the terrible defeats in Russia, or the destruction of Germany must have on the Nazi Home Front. That destruction must be fantastic. In Italy I saw what bombs can do. I saw the Port of Naples, lying in a mass of ruins. I saw the Port of Palermo in Sicily battered so badly that one sizable ship lay high and dry on a wharf, blown completely out of the water. But General Patton assured me that Palermo was only three or four percent destroyed. Hamburg has been seventy-eight percent destroyed, and several other German cities have received almost as much destruction.

Yes, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. We may be awakened some morning by whistles and bells and ^{newspaper} paper boys selling extras.

But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a

#1 walking draft.
11/15/43
continued:

has been in a steady plunge ever since
we first got word that Germany
is about to crack.

I am glad to have this opportunity tonight to talk to the nation's leading
advertising people. I have a great deal of confidence in the
ability of advertising men to bring the facts of the war to our people. And today,
more than ever at any time since the war began, there is a job to be done in
this regard.

The incessant drum of a quick end to this war grows more serious every day.
It is particularly pressing right now. ^{On every hand we see a} ~~surge~~ ^{vital} surge of activity to
win the war for post-war ~~reconstruction~~. The stock market

The newspapers report the complete collapse of Germany. In Washington the ~~celebrations~~
~~are being held~~ the exodus to better-the-war jobs started in earnest.

So, Gentlemen, I don't know what the optimism is all about. ~~Look, for example,~~
~~at the situation in Italy less than a month ago.~~

I went with General Mark Clark up to the front
lines. I drove through the mountains to a spot within ^a ~~the~~ ^{of} ~~the~~
front. I went through a small village -- or what had, a few days before, been
a village called Dragoni. It was still smouldering. American bulldozers were busy
clearing debris out of the streets so that our supply trucks could get through; and
at one spot our jeep had to climb high over a pile of masonry and stones that the day
before had been a public building. That was about all there was left of Dragoni --
that was pile of wreckage. It was the same in a half dozen other small towns that
we passed through and it happens because the Nazis don't like fighting in the open.
They run from building to building, and Mark Clark's Fifth Army or Jimmy Doolittle's
planes steadily have to take the buildings down around them. It is, I can tell you,
a slow, slow and difficult process.

Since I left Dragoni, the Allied Armies have managed to get ten miles closer to
Rome. ^{But} that's all. Ten bloody, hard-earned miles. No army in the world

The people who are hailing an early cracking up of
the German nation have not talked to German
Prisoners, I can assure you of that. I had some over

First hand reports on the state of mind of
prisoners when I was in Naples. They are
mighty stubborn and cocky. They are
Adolf Hitler, and say the Russian campaign
is the fault of his generals. They don't under-
stand when you talk to them about democracy,
they say: "What? A nation without a
leader? That is chaos. Our nation must
have a leader." Then if you praise the
subject of their present leader, they may
admit that he is not perfect - but he
will have to do until they can find another.
And - get this, gentlemen - they say
their next leader will win the next
great war. So here they are - defeated
and lost - and already planning another
assault on civilization.

That's the reason why we must concentrate
on keeping the war cold. We should be heaping tragedy
upon all generations to come if we permitted this
war to end ~~prematurely~~ prematurely.

through their propaganda bureau to
promise to fold up, 171
get on with the peace,

as getting easier

it is serious enough to

then to encourage them to do something

than

ST

You may be interested to know that and went to work. I think

and overwhelmingly, violently isolationist.

were scheduled

Even after

But the American people would have no part of war.

dying

immediately in all of Britain

There before the Nazis came?

what has been done. On the 3rd of Nov
Loren (ward 2)

(A)

~~The Third War Loan in its overwhelming success, is a tribute to the American public response and the unheard of support by Industry and Labor. All quotas were exceeded, both nationally and in counties. The national individual quota was exceeded by \$400,000,000 and best of all, 52,577,000 E Bonds (the people's bonds) were issued during the drive. Such a success could never have been achieved without Industry's and Business' tremendous advertising support.~~

~~Unlike a commercial campaign where only a portion of the American public needs to know and a small percent needs to act, to make a 3 weeks' campaign a success - the U. S. Government, through the Treasury Department needs to propagandize every man, woman and child in America to sell nearly 19 billions of war bonds in 3 weeks. Advertisers know this instinctively, so they voluntarily rush to support our activities.~~

~~Sufficient time has now elapsed to both secure the public's reaction to the Third War Loan activities, and assemble the facts that show in detail the advertising support provided by the thousands of businesses throughout America. Perhaps you would be interested to hear these findings:~~

~~In the daily newspapers, where a careful check was made of every paper in America, advertisers sponsored 88,947 Third War Loan advertisements, for a total lineage of 61,573,588 lines, at a cost to themselves of \$6,697,558. Two thirds of the advertisements were prepared by the advertisers themselves, and one third (the 30% of the lineage) were prepared for us by the War Advertising Council, and each advertisement was sponsored by from one to one-hundred local businesses.~~

Practically all of the 10,000 weeklies carried sponsored advertisements throughout the Drive.

In both daily and weekly newspapers ~~only~~, business supported the campaign with \$8,639,540 ⁱⁿ of space ~~and best of all, put their best thoughts into the advertisements.~~

On the radio you did a magnificent job. The National Broadcasters Association tells me 3,382 hours of radio time and 200,000 announcements (valued at \$12,000,000) carried Third War Loan messages to the public, throughout the days and nights of the Drive. Through the Allocation Plan and additionally contributed time, advertisers played a most important part. You gave us the use of your best radio audiences.

At least \$3,000,000 in magazine space was contributed to war bond advertising. This was provided by both advertisers and the magazines themselves. It should be of interest to you to know that 250 general magazines, 56 farm journals and 450 business and trade magazines each contributed a full page.

Advertisers and the Outdoor Industry provided by all odds the most expansive outdoor showing of all time on a given campaign. I am told this ^{had a value of} ~~amounted to~~ \$1,700,000.

This 3 week campaign provided by advertisers ^{would have cost} ~~amounted to approxi-~~ ^{a commercial space advertiser} ~~mately~~ \$30,000,000. ~~in personal messages, in a newspaper advertisement, and various ways we have been acknowledging our appreciation of this support. To you I want to express our appreciation of your patriotic support.~~

Expensive and intensive as the campaign was, the National Cross Section Public Opinion reveals that still 10% of the people did not know there had been a Third War Loan Bond Drive. It did show, however, that the advertising had made the 90% understand that extra bond purchases were the measurement of participation. This was an important contribution, for in previous Drives, too much of the public took the position "They don't mean me"

~~For we are already buying bonds. Last April one in five bought extra bonds.~~
~~in September, one in three bought extra bonds - and the overwhelming~~
 reason given by the other two-thirds was that they could not afford it. You
 see, therefore, something of the job advertising has done, ~~and is called~~
 upon to do in the next war loan.

~~The Fourth War Loan will start in January. In cooperation with the~~
 War Advertising Council, we have been working on advertising plans for the
 past few weeks. I should like you to know some of the high spots, for you
 have made it known in no uncertain terms that you want to cooperate in an
 even greater degree.

The High Spots of Copy Theme: (to come)

As experienced advertisers you know what percent₂ of your advertising
 can justifiably be converted to war advertising. You also are familiar with
 the interpretations and regulations of the Internal Revenue Department with
 respect to War Advertising and its inclusion in business expense. I see no
 reason why those widely circulated interpretations shall be altered.

Since you are all national advertisers, I should not fail too remind
 you that the promotion and sale of war bonds goes on every day in the year,
 with the periodic loan drives as the focal points. Continuous activity is
 necessary to support the Payroll Savings Plan now in effect in most every
 business covering 25,000,000 employees. This great saving plan needs to be
 kept in front of workers at all times. Here many of you are doing us a
 great service in your radio and magazine support. We greatly appreciate this
 and wish for its continuance.

So we called Ted Repplier of the Advertising Council, and he went to work on a great advertisement. You may remember it. It said: "Will the Surrender of Italy mean a Home Front defeat?"

And it is feasible to make the smooth working

The ad ran the next day in hundreds of newspapers throughout the Nation. ~~It~~ must have had a sobering effect on a lot of people, because we didn't get any more phone calls.

During the past few months I have been thinking about

~~two other jobs that need to be done if we are to continue to improve the efficiency of our war effort, with any degree of success, and to keep~~

- both here and overseas,

On my recent trip to the front, I made what seemed to me to be a startling discovery. Our troops over there have very little idea of what is going on back here. Their sources of information are meager, and not very reliable.

I left New York on October 12, and the New York Times that I bought that morning was the only American paper that I saw until I arrived back in Puerto Rico three weeks later. When I turned to the radio overseas for news from home, I discovered that you can't get news that way either. We at home get news six times a day from all the battle fronts of the war, but our boys get ^{news from} no American ~~news~~ through Allied radio stations abroad. News comes to them through BBC, but British news reporting holds little satisfaction for the average American soldier.

Therefore, I want to suggest to you tonight that you use your facilities and your ingenuity to get American news abroad, ^{and} get it there every day. Get it there while it is hot, and get it direct from home. Some of you have worked with the Army, the Red Cross and other agencies, to get American things to American soldiers abroad, and it has done a great deal of good. But there is no substitute for American news. I hope some of you will take that as an assignment. I can tell

Don't take on a new assignment unless you are sure you can do it well.

management technique first paper and on that

you that it will be appreciated by every American soldier away from home, and by their officers too.

3 Then, there is another ~~and serious~~ job that needs to be done, quickly and thoroughly.

We need to do a really good job of selling the war and ~~selling~~ ^{increased} production to American men and women on the production lines.

To put it in your own lingo, the chief commodity that we have for sale today is increased war production, and the most important group of customers today are those who can increase that production if their enthusiasm and interest can be stepped up.

During various bond drives I have ~~had the privilege of visiting~~ ^{ad} ~~ed~~ many American factories. In virtually none of them is a thorough advertising job being done to sell the war and increase production to the men and women at work. In the few exceptions which I have investigated, it seems to have been proved beyond doubt that a good job of creating ^{through advertising methods} enthusiasm and interest has paid off in increased production, in less absenteeism, and in better plant morale.

One of the outstanding examples that I have seen is the Packard plant in Detroit. Like ~~many~~ other corporations ^{with} ~~the have~~ a peace-time trade mark to preserve, Packard ~~is~~ ^s maintaining an advertising campaign to the general public. But it's not doing this at the expense, and to the unfortunate neglect, of its ^{through-going} advertising campaign to the people who take Packard products for war.

I have been told that Packard went to work on this job early in the war. ~~It was one of~~ ^{They were among} the first to understand that a workman ~~could~~ ^{can} not get enthusiastic about working on some small assembly that he ~~could~~ ^{can} ~~not imagine~~ ^{not imagine} as an implement of war. To counteract this, Packard took their people down to the water front and showed them PT boats in action -- PT boats powered with motors, built by Packard, ^{workmen} from thousands of parts ~~that~~ ^{that} each individual workman ^{with} was himself creating.

The Packard plant today is alive with posters and signs and slogans about the war. While ~~I was~~ visiting the plant, I told President Christopher ~~the story of~~ how we came to bring the Rolls-Royce motor over here from England and what a difficult time we had of getting an American manufacturer to take on the ~~difficult but~~ vital job of making them. I reminded him how Packard set to work, and finally wound up building so many Rolls-Royce motors that we not only fill all our own requirements, but ~~are~~ shipping ^{over there,} many back to England so they can step up their production of Lancaster bombers and fighters.

It's to the credit of the organization that this story was immediately given to the workers -- dramatized in a dozen different forms, brought to them in a dozen different ways. ~~with~~ The result ^{is} that every man and woman who manufactures a part of the American Rolls-Royce motor, feels he has some part in this dramatic war story.

I had another such experience in Evansville, ^{Indiana,} ~~at a ship yard~~ where
 huge landing craft ~~were~~ ^{are} built in a ship yard along the Ohio River.
 Before going to Evansville, I checked ~~to~~ to find out if the people in
 there who are building these ships -- they are ~~building~~ landing craft for
 tanks and ~~pieces of~~ heavy mobile artillery -- if they knew where the
 ships came from, how they came to be built and what they are doing in
 the war. I found they didn't. ~~I found the story~~ ^{The story} of the LST's was a mys-
 tery.

After a thorough search we found ~~not~~ a dramatic story ~~behind~~ behind these
 craft. I won't go into it here, except to say that in the Bureau of
 Ships, filed among blue-prints, we found a cryptic telegram from the British
 Admiralty to its representative in the United States -- a telegram ~~xxxx~~
 that in less than two hundred words revealed ^{that a great change was taking place in modern warfare} ~~that tanks were taking~~
~~an importance in modern warfare.~~ The allies ~~needed~~ needed tanks, and
 needed ^a means of transporting them quickly into enemy territory. ~~At that time~~
~~right in the middle of the British Blitz~~ ~~seemed to~~
~~be far fetched dream.~~ From that telegram, the LST was born; and ~~the~~
~~result of the~~ LST and similar landing craft built on the
~~same lines as the LST~~ ^{pattern had a great part in our being} were able to invade Sicily, Sardinia, and Italy,
~~and were able to drive the Japs off Pacific Islands.~~ ^{and they were vital in our Campaign}
^{to drive the Japs off Pacific Islands.}

16 ^{To} the workers in the Evansville shipyards, most of whom ~~have~~ never
~~seen~~ the ocean, this story was ^{glamorous and fascinating} ~~interesting.~~ ^{According to Mr. Harrison,}
~~the President, this story~~ ^{It} brought them closer to the war, and ~~in~~ ^{the President tells}
 there has been a perceptible lift in morale and efficiency since the
 people became aware of the importance of their jobs.

I cite these two examples to indicate that there is a job to be done in
 most war plants, and it's a job that ^{requires} ~~needs~~ good advertising men, ~~to put over~~

Several times

I have talked [^] to Donald Nelson ~~number of times~~ since he returned from Russia, and he tells me that Russians have tackled this job with a vengeance -- and with amazing results. Over there, every factory is equipped with a huge map of the Russian front which is corrected daily. Every worker on the home front knows exactly what is happening on the war front. ~~Every miller and the operator is aware of progress almost as quickly as the General Staff of the Red Army. I think this is a technique which we might advantageously borrow. I think it would help greatly to solidify our determination to get the job done, and get it done quickly.~~

It is not part of my job in Washington to parcel out this task to you advertising men. [But as a citizen, and as an individual who has been able to observe what is being done and what isn't being done, I should like to know not the suggestion that you concentrate on these two vital jobs: ~~bringing the home front closer to the war front by developing an advertising technique to bring the war home to the people on the production line; and bringing the big help to get good communication between the front and the co-ops of our Service.~~

Developing techniques to do the work

Add a new chapter to your record, the record some of you started nearly two years ago when you put advertising to work for ~~the~~ the interests of preserving the nation and ^{in helping to} bringing about the unity which Hitler thought we could never achieve.

We sat in my office until well after midnight and eventually we succeeded in finding a substantial amount of equipment that the British could buy, legally, without involving the American Government in an act of war. Britain was again armed, meager though was the armament that we could furnish, and civilization passed a crisis. *But it was a mighty narrow squeak*

It was back in these days when we were struggling ~~with~~ *to make the public see what danger lay ahead* ~~public sentiment~~ that American advertising men first came to the aid of their Government. It seemed obvious, at least to me, that we were not getting anywhere by ~~simply~~ depending upon newspaper reports to ~~the~~ *warn* the American people know ~~of~~ *of approaching* danger ~~they were in~~. Something more positive had to be done. That something, it seemed to me, was some good, *factual, hard hitting* ~~old-fashioned~~ advertising.

~~It was~~ *Not* ~~very~~ long *after* ~~before~~ that, advertising began to appear. It was bought and paid for by patriotic Americans who took ~~upon~~ *upon* themselves the responsibility of making their friends and neighbors aware of the situation. And the advertisements were written by some of you advertising men -- some of you, I think, who are here tonight. You were pioneers then. You were pioneering the biggest job of reversing public sentiment in history. And you were pioneering too in giving advertising the dignity of social responsibility.

Obviously we could not continue to find spare parts and odd bits of equipment in private hands so that the British could buy it and use it. The time had come to take drastic steps.

Insert E page 2.

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We knew that ~~it~~ a few months ^{later than} ~~it~~, would be a crisis in the British Navy; ^{that} it would ^{prove} be too small to defend itself, let alone ~~keep~~ keep the invading Nazis in any kind of check.

^{When} We asked that the public be made aware of this difficult situation, ~~we~~ you prepared an advertising campaign that achieved amazing results. That was only three months after Dunkirk, but the Gallup box score looked much different than it had before. 60% of the American people stood solidly back of the President in transferring over-aged destroyers to the British to help bolster their Navy.

For virtually none of them are

through a great many American ~~industries~~ factories. ~~There is~~ a thorough advertising ~~job~~ ~~is~~ being done to sell the war and increase production to the men and women at work. In the few exceptions which I have investigated, it seems to have been proved beyond doubt that ^{a good} job of creating enthusiasm and interest ~~has~~ ^{has} ~~been~~ ^{been} ~~set~~ ^{set} ~~off~~ ^{off} in increased production, in less absenteeism, and in better plant morale.

One of the outstanding ^{examples} that I have seen is the Packard plant in Detroit. Like many other corporations that have a peace-time trade work to preserve, Packard is maintaining an advertising campaign to the general public. But it's not doing this at the expense, and to the unfortunate neglect, of its advertising campaign to ~~the~~ ^{the} ~~work~~ ^{work} ~~place~~ ^{place} ~~where~~ ^{where} ~~the~~ ^{the} ~~workers~~ ^{workers} ~~make~~ ^{make} ~~the~~ ^{the} ~~products~~ ^{products} ~~for~~ ^{for} ~~the~~ ^{the} ~~war.~~

Packard went to work on the job early in the war, he never saw or heard of an

I have been told that ~~this~~ ^{the} ~~plant~~ ^{plant} was one of the first to understand that a workman could not get enthusiastic about ^{working on} some small assembly that was ~~designed~~ ^{designed} ~~for~~ ^{for} ~~the~~ ^{the} ~~war.~~ To counteract this, ~~the~~ ^{the} ~~workers~~ ^{workers} ~~at~~ ^{at} ~~the~~ ^{the} ~~plant~~ ^{plant} ~~of~~ ^{of} ~~Packard~~ ^{of} ~~took~~ ^{took} ~~their~~ ^{their} ~~people~~ ^{people} ~~down~~ ^{down}

to the water front, and showed them PT boats in action -- PT boats ~~that~~ ^{that} ~~were~~ ^{were} ~~powered~~ ^{powered} with motors, built by Packard, ^{from} ~~the~~ ^{the} ~~factories~~ ^{factories} ~~that~~ ^{that} ~~make~~ ^{make} ~~thousands~~ ^{thousands} ~~of~~ ^{of} ~~parts~~ ^{of} ~~such~~ ^{of} ~~as~~ ^{of} ~~each~~ ^{of} ~~individual~~ ^{of} ~~workmen~~ ^{of} ~~was~~ ^{of} ~~himself~~ ^{of} ~~creating.~~ ^{today} ~~The~~ ^{The} ~~Packard~~ ^{Packard} ~~plant~~ ^{plant} ~~is~~ ^{is} ~~alive~~ ^{alive} ~~with~~ ^{with} ~~posters~~ ^{with} ~~and~~ ^{with} ~~signs~~ ^{with} ~~and~~ ^{with} ~~slogans~~ ^{with} ~~about~~ ^{with} ~~the~~ ^{with} ~~war.~~

While I was visiting the plant, I told President Christopher the story of how we ^{came to bring} ~~we~~ ^{we} ~~imported~~ ^{imported} ~~the~~ ^{the} ~~Rolls-Royce~~ ^{Rolls-Royce} ~~motor~~ ^{motor} ~~over~~ ^{over} ~~here~~ ^{here} ~~from~~ ^{from} ~~England~~ ^{from} ~~and~~ ^{and} ~~what~~ ^{and} ~~a~~ ^a ~~difficult~~ ^{difficult} ~~time~~ ^{time} ~~we~~ ^{we} ~~had~~ ^{had} ~~of~~ ^{of} ~~getting~~ ^{of} ~~an~~ ^{of} ~~American~~ ^{of} ~~manufacturer~~ ^{of} ~~to~~ ^{to} ~~take~~ ^{to} ~~on~~ ^{take} ~~the~~ ^{take} ~~job~~ ^{job} ~~of~~ ^{of} ~~making~~ ^{of} ~~them.~~

~~I~~ ^I ~~remembered~~ ^{remembered} ~~him~~ ^{him} ~~how~~ ^{how} ~~Packard~~ ^{Packard} ~~analyzed~~ ^{analyzed} ~~and~~ ^{and} ~~set~~ ^{set} ~~to~~ ^{to} ~~work,~~ ^{work,} ~~and~~ ^{and} ~~finally~~ ^{finally} ~~wound~~ ^{wound} ~~up~~ ^{up} ~~building~~ ^{building} ~~so~~ ^{so} ~~many~~ ^{so} ~~Rolls-Royce~~ ^{Rolls-Royce} ~~motors~~ ^{motors} ~~that~~ ^{that} ~~we~~ ^{we} ~~are~~ ^{are} ~~not~~ ^{not} ~~only~~ ^{not} ~~filling~~ ^{filling} ~~in~~ ⁱⁿ ~~all~~ ⁱⁿ ~~our~~ ⁱⁿ ~~own~~ ⁱⁿ ~~requirements,~~ ^{requirements,} ~~but~~ ^{but} ~~are~~ ^{are} ~~shipping~~ ^{shipping} ~~many~~ ^{many} ~~back~~ ^{back} ~~to~~ ^{to} ~~England~~ ^{to} ~~so~~ ^{so} ~~they~~ ^{so} ~~can~~ ^{can} ~~step~~ ^{can} ~~up~~ ^{up} ~~their~~ ^{up} ~~production~~ ^{production} ~~of~~ ^{of} ~~bombers~~ ^{of} ~~and~~ ^{and} ~~fighters.~~

~~That~~ ^{That} ~~the~~ ^{the} ~~executives~~ ^{executives} ~~of~~ ^{of} ~~Packard~~ ^{Packard} ~~had~~ ^{had} ~~not~~ ^{not} ~~known~~ ^{known} ~~let~~ ^{let} ~~alone~~ ^{let} ~~the~~ ^{the} ~~importance~~ ^{importance} ~~of~~ ^{of} ~~the~~ ^{of} ~~story~~ ^{story} ~~was~~ ^{was} ~~immediately~~ ^{immediately} ~~given~~ ^{given} ~~to~~ ^{to} ~~the~~ ^{to} ~~workers~~ ^{workers} -- dramatized in a dozen different forms, brought to them in a dozen different ways, ^{with} ~~the~~ ^{with} ~~result~~ ^{result} ~~is~~ ^{is} ~~that~~ ^{that} ~~every~~ ^{that} ~~man~~ ^{every} ~~and~~ ^{man} ~~woman~~ ^{and} ~~who~~ ^{woman} ~~manufactured~~ ^{who} ~~a~~ ^{manufactured} ~~part~~ ^a ~~of~~ ^{part} ~~the~~ ^{of} ~~war~~ ^{the} ~~effort.~~

of the American Rolls-Royce motors ~~it~~ ^{feels} ~~has~~ ^{has} some part in this dramatic war story.

I had another such experience in Evansville, at a ship yard where ~~xxxx~~ huge landing craft were being built in ~~the~~ ^a ship yard ^{along the Ohio river} ~~before~~ ^{As Evansville,} I checked up to find out if the people in ~~Evansville~~ ^{here} who are building these ships -- they are huge landing craft for tanks and pieces of heavy mobile artillery -- if they knew ~~xxxx~~ where the ships came from, how they came to be built and what they are doing in the war. I found they didn't. I found the story of the LST's ~~was~~ ^{was} a mystery.

~~After~~ ^{After a} ~~thorough~~ ^{thorough} search ~~we~~ ^{that a} found ~~the~~ dramatic and brilliant story ~~lay~~ ^{lay} behind these craft. I won't go into it here, except to say that in the Bureau of Ships, filed among blue-prints, ~~and some carefully~~ ~~sketched~~ ~~drawings~~ we found a cryptic telegram from the British Admiralty to its representative in the United States. ^{on great importance} A telegram that in less than two hundred words revealed ~~the~~ ~~fact~~ that tanks were taking in Nazi territory ~~and~~ ~~that~~ ~~the~~ ~~allied~~ ~~also~~ needed tanks, and needed the means of transporting them quickly into enemy territory which, at that time -- right in the middle of the British Blitz -- seemed to be ~~far~~ ~~from~~ ~~a~~ ~~far-fetched~~ ~~dream~~. From that ~~telegram~~ ^{telegram}, the LST was born: and largely as the result of the LST and similar landing craft built on the same lines as the LST, we were able to invade Sicily, and Sardinia, and Italy, and we were able to drive the Japs off ~~the~~ Pacific Islands.

To the workers in the Evansville shipyards, most of whom have never seen the ocean, this story ~~was~~ ^{was} ~~moved~~ ~~to~~ ~~be~~ a revelation. According to Mr. Harrison, the President, ~~telling~~ ~~them~~ this story brought them closer to the war ~~than~~ ~~any~~ ~~one~~ ~~could~~ ~~have~~ ~~dreamed~~ ~~possible~~, and he ~~said~~ ^{says} that there has been a perceptible lift in morale and efficiency since the people ~~became~~ ^{became} aware of the importance of their jobs.

and its a job that takes good education
men to run it.

I cite these two examples to indicate that there is a job to be done in most war
plants. I talked to Donald Nelson a number of times since he returned from Russia,
and he tells me that Russians have tackled this job with a vengeance -- and with
amazing results. Over there, every factory is equipped with a huge map of the
war zone which is corrected daily. Every worker on the home front knows exactly
what is happening on the war front. Every milling machine operator is aware of
progress almost as quickly as the General Staff of the Red Army. I think this is a
technique which we ^{ought} ~~may~~ adopt with advantage. I think it would ~~be~~ contribute to
~~our~~ ~~effort~~ ~~and~~ ~~it~~ ~~would~~ ~~help~~ ~~greatly~~ ~~to~~ ~~solidify~~ ~~our~~ ~~determination~~ ~~to~~ ~~win~~ ~~the~~
war, and get it done quickly.

It is not part of my job in Washington to parcel out this task to you advertising
men. But as a citizen, and as an individual who has been able to observe what is
being done and what isn't being done, ~~to~~ ~~me~~ ~~it~~ ~~is~~ ~~clear~~ ~~that~~ ~~I~~ ~~should~~
like to throw out the suggestion that you concentrate on ~~the~~ ~~task~~ ~~of~~ ~~bringing~~ ~~the~~ ~~home~~
front closer to the war front by developing an advertising technique to bring the war
home to the people on the production line; and that you concentrate ~~on~~ ~~bringing~~ ~~the~~
war ~~home~~ ~~to~~ ~~the~~ ~~people~~ ~~on~~ ~~the~~ ~~production~~ ~~line~~; and that you concentrate ~~on~~ ~~bringing~~ ~~the~~
war ~~home~~ ~~to~~ ~~the~~ ~~people~~ ~~on~~ ~~the~~ ~~production~~ ~~line~~ through the use of your facilities and your
creativity and ~~the~~ ~~money~~ ~~which~~ ~~you~~ ~~have~~ ~~to~~ ~~invest~~ ~~in~~ ~~building~~ ~~good~~ ~~will~~ ~~for~~ ~~your~~
country and ~~your~~ ~~service~~ ~~to~~ ~~the~~ ~~war~~ ~~effort~~.

good communication
between here and the
outposts of our
service.

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November 15, 1943

Dear Mr. West:

Thank you for your letter of November 12. I am looking forward very much to meeting you and the others of your group on this coming Thursday night.

It was good of you to go to the trouble of reserving a suite for me at the Hotel Commodore. I have, however, made other arrangements for my stay while in the city, and so shall not be able to avail myself of the accommodations you have so courteously obtained.

I shall see you at the hotel at the time you set and know that the occasion will be an interesting one in every way.

Sincerely,

(Signed) H. Morganthau, Jr.

Mr. Paul B. West
Association of National
Advertisers, Incorporated
285 Madison Avenue
New York, New York

GWF:mn

air mail Spec



ASSOCIATION OF NATIONAL ADVERTISERS INC.
285 MADISON AVENUE, NEW YORK CITY, N. Y.

OFFICE OF THE PRESIDENT

November 12, 1943

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury
15th Street & Pennsylvania Avenue
Washington, D. C.

Dear Secretary Morgenthau:

Sorry that circumstances made it impossible for me to see you when in Washington this week for I very much wanted to personally convey our thanks and appreciation for your acceptance of our invitation to speak at our Wartime Conference on Thursday next.

I have talked at some length with Fred Smith about the subject of your talk and I want to tell you that we are most enthusiastic about it. It is very fortunate that you are willing and available to make this kind of a talk to this group at this time and I know it will be well received.

It will help materially in business and advertising in connection with the work we are doing thru the War Advertising Council in getting more support behind the various Government War Campaigns. As you well know, there is a general disposition to let down because of the erroneous belief that the war will soon be over and we must not let this happen.

For your information, since this is a Wartime Meeting we decided to make this a business dinner and therefore dress will be informal. We are having a reception for you and number of the honor guests at seven o'clock. We have reserved a suite for you at the Hotel Commodore which is where the meeting is being held. Perhaps you will want to go directly there upon your arrival.

We look forward with great pleasure to having you with us.

Sincerely yours,

Paul B. West
b

November 15, 1943
4:15 p.m.

Harry White: 3:15 tomorrow morning will do because I had this meeting in the Army which we postponed several times.

HMJr: Well, my trouble is I'm all mixed up on this financing -- uh --

W: Tomorrow afternoon?

HMJr: No. Would you want to work after supper tonight?

W: Sure. Be perfectly fine.

HMJr: Be frank.

W: Be perfectly fine.

HMJr: What?

W: Perfectly all right.

HMJr: Well, what time do you -- are you through supper?

W: Uh -- let's see -- about half past seven or eight.

HMJr: Well, let me do it this way. You -- are you free tonight?

W: Yes, I am.

HMJr: Well, keep it free and if I should decide, I'll send my car for you.

W: That will be fine. I'll be home.

HMJr: And I could let you know around seven o'clock how I feel.

W: That will be all right. Any time. I'll be home and if you have any....

HMJr: I have a....

W:thing, I'll be glad to come.

HMJr: I have a number of things that -- and if I can have an hour with you tonight I can clean up but tomorrow I'm just desperate for time.

W: Fine. All right. I'll be available.

HMJr: Thank you.

W: Bye.

Memorandum for the Secretary's Files

Conference at the Secretary's
home, Monday evening, November 15, 1943.

I again brought up the question of obtaining his approval on our suggestion, raised with him the last time on September 10, for a proposed statement to be issued by the United States Government with reference to the purchase of gold that had a cloud on its title. The Secretary said to go ahead with it, that it had his approval, ~~and~~ for us to take it up with the State Department.

H.D.W.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

November 15, 1943

TO Secretary Morgenthau
FROM Fred Smith *FS*

I think we ought to put somebody to work preparing promotion and a radio show for the soldiers overseas. My feeling is that it should be done as a separate operation, not as a part of the regular bond promotion, since there will be a tendency to make it too high-pressure if it gets involved with the regular stuff.

I have discovered that a very able advertising man by the name of Carley is slowly decaying in Philadelphia giving mental tests to inductees. I'd like to suggest the possibility of having him transferred here to head up soldier promotion for the Treasury. He could prepare leaflets, posters and a radio show immediately and take advantage of the ground which we ploughed over there, without waiting for a decision on local bond men.

Carley is an enlisted man and we would have to get his transfer through the Army.

Smith:
→ Please speak to me
M. H.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE November 15,
1943

TO Secretary Morgenthau

FROM Mr. Murphy ~~AKM~~

Subject Establishment of the Present Pattern of Interest Rates

This is in accordance with your request this morning for a memorandum giving the background of the establishment of the present pattern of interest rates and of the agreements between you and the Federal Reserve System with respect to it.

During the fall and winter of 1941-42, short-term interest rates rose rather sharply, and the appropriate level of such rates was the subject of a number of conferences between representatives of the Treasury Department and of the Federal Reserve System. At a meeting with the Federal Open Market Committee held in your office on March 20, 1942, Chairman Eccles and Mr. Sproul stated that they believed that short rates should rise yet further, but agreed that if you definitely requested them to hold interest rates generally at the then level, they would do so. You made the definite request, and they stated that they would abide by it -- you taking the responsibility for the decision; and they, for the execution.

Mr. Sproul said that if you wanted the Federal Reserve System "... to work against the kind of a program which we have in mind, which, frankly, did contemplate some rise in short-term interest rates ... recognizing that you have the full and final responsibility for the financing of this war, want to do that at request from you, and reluctantly and under a form of compulsion."

You replied "I am perfectly willing to take that responsibility."

Mr. Eccles said "... Of course, it is your responsibility. All we can do is to give the best advice that we have... We should present

Secretary Morgenthau - 2

to you what were our views and of course if you have some other views it is your responsibility and we will carry out whatever program the Treasury finally decides upon, realizing of course that they are taking the responsibility for that program and we are merely acting ... to execute it.... You, of course, as you say, take the responsibility and we do the executing."

Since the March 20 meeting, you have definitely assented to two changes in the pattern of rates -- both upwards.

One of these changes was the establishment of a posted rate of $\frac{3}{8}$ of one percent for Treasury bills, which you agreed to at a meeting with the Federal Open Market Committee on April 30, 1942 (the last bill rate had been 0.195 percent at the time of the March 20 meeting).

The other change was the establishment of a $\frac{7}{8}$ of one percent coupon rate on one-year certificates (there was some question of whether or not $\frac{3}{4}$ of one percent was not more in line with the pattern). This was agreed to at a meeting with the Federal Open Market Committee held in your office on August 4, 1942, concerning the certificate to be dated August 15, 1942. You said on this occasion "... if the pattern today calls for $\frac{7}{8}$ percent for one year, I am looking to you gentlemen to keep it in that pattern." Mr. Eccles said that this would be easy, as the market was "... just what we have made it....", to which you replied "If that is so, then make it stay where it is for one year."

The establishment of the $\frac{7}{8}$ percent one-year certificate rate was the last change in the pattern of rates to which you assented. We have accordingly taken September 1, 1942 -- by which time the market had had an opportunity to adjust itself to the one-year $\frac{7}{8}$ percent rate -- as the base date for measuring the performance of the Federal Reserve System in maintaining the pattern of rates. This performance has been almost perfect, as was indicated by the chart comparing the pattern of rates on September 1, 1942, and November 6, 1943, which I showed you this morning.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE November 15, 1943

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending November 13, 1943.

Summary

Stock market: Recent declining tendencies in stock prices may have reached a temporary climax last Monday when prices showed the sharpest drop since last April and trading volume expanded considerably. Concern over post-war problems in the event of an early peace has also affected British markets. Industrial stock prices in London have been in a downward trend since early October and now stand around mid-July levels.

Commodity prices: Rumors of an early peace, together with heavy livestock marketings, caused some decline in commodity prices last week. The BLS index of 28 basic commodities dropped 0.3 percent. Due to the heavy movement of hogs, temporary gluts occurred in some markets, and prices were down to the Government support level.

Crop production: With the harvesting of most late crops well advanced, total crop production in 1943 is estimated to be substantially above that of previous years except the record crop of 1942. Preliminary goals of the 1944 food production program call for some increase in the total cultivated acreage, with greater emphasis on the production of "war crops" and foods for direct human consumption.

Wage stabilization: Demands of organized labor that the "Little Steel" wage formula be scrapped will be resisted by the WLB, according to Chairman Davis. Factory payrolls in September showed a further rise of 1.8 percent to a new war-time peak, despite a slight decline in employment. Estimated average weekly earnings of factory workers also showed a further gain, and were 17 percent above the corresponding month last year.

Retail trade: Department store sales in the first week in November rose to the highest level of the year and were 10 percent above the corresponding week in 1942. Retail sales of jewelry have been booming, with sales in September 228 percent above the 1935-39 average.

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- 2 -

Stock prices steady after sharp decline

Selling of stocks and to a lesser extent commodities and corporation bonds on the prospect of a possible early ending of the war in Europe appears to have reached at least a temporary climax last week. On Monday stock prices showed the sharpest drop since last April, while trading volume rose to the highest level in nearly six months. With market sentiment sobered by Prime Minister Churchill's remarks on the outlook for hard fighting in 1944, moderate rallies ensued on Tuesday and Wednesday followed by irregularity near the end of the week. (See Chart 1.) The rally in prices was not particularly convincing, since the volume of trading fell off on the advance, and at the close on Saturday the Dow-Jones average of 65 stocks was still more than 2 percent lower than a week earlier.

Although labor developments, tax selling and other factors may have contributed to the recent decline in stock prices, recurrent weakness on news of Allied victories suggests the existence of serious apprehension over the post-war economic outlook in the United States. Both war and peace stocks declined last week, with war stocks again showing somewhat greater weakness than peace stocks.

Judging from the action of industrial stock prices, financial sentiment in London during the latter part of the summer was more optimistic than in the United States, with prices rising to their war-time peak during the period. However, London stock prices have been in a downward trend since early October, and by last week had receded to around mid-July levels. (See Chart 2.) Among other factors, a renewal of uncertainties over the problems of the post-war period appears to have contributed somewhat to the London decline in recent weeks.

Commodity prices weaken on peace rumors

Peace rumors and weakness in securities touched off a moderate decline in commodity prices last Monday. Cotton prices broke as much as \$2.65 a bale, but later recovered some of the loss, while wheat and rye were off more than a cent. Futures prices firmed later in the week, and the Dow-Jones futures index showed only a slight decline for the week. (See Chart 3.) After the pronounced drop on Monday, Moody's spot index continued to ease, due largely to the weakness in hog prices.

The BLS index of 28 basic commodities declined 0.3 percent last week, and now stands at 177.8 percent of the August 1939

- 3 -

average. (See Chart 4.) Livestock prices were off sharply, with hog prices declining 2.5 percent and steer prices 3.4 percent. Wool top prices declined moderately and are now at the lowest level since early March, and cotton is at the lowest level since last December. Wheat was the only commodity in the index to show an increase in price.

WFA appeals for orderly hog marketings

An appeal for producers, packers, and other marketing interests to cooperate in the orderly marketing and handling of this year's record hog production was made last week by the War Food Administration. The seasonal increase in hog marketings has resulted in a temporary glut in some markets and packing centers, and prices are down to the Government support level in some markets.

The Government hog support program at present consists of a provision in the licenses of livestock slaughterers requiring that they pay for hogs not less than the support price. Furthermore, the Government is planning to buy from the packers all pork in excess of civilian requirements and at a price which will permit the packers to pay prices equal to the support level. So far there has not been any excess pork in the packers' hands.

Flaxseed supplies improved

Reflecting the improved flaxseed supply situation, linseed oil prices last week dropped below the ceiling prices for the first time since the ceilings were imposed last May. In view of the heavy war-time demand for linseed oil, the decline in linseed oil prices below the ceiling caused much interest in the commodity markets.

The improved flaxseed supply is due partly to the record domestic crop and partly to increased imports. This year's crop of flaxseed is now estimated to be almost 27 percent larger than last year's crop, which was the largest up to that time. Recently very heavy shipments of Canadian flaxseed have been received, and the improvement in ocean shipping has enabled sizable imports from the Argentine. As a result of the improved supplies, flaxseed prices have been below the ceiling for the past three months.

Large 1943 crop production assured

Although the weather has not been much better than average, total crop production in 1943 will be substantially above that

- 4 -

of previous years with the exception of 1942, according to the November 1 crop report of the Department of Agriculture. Aggregate crop production, however, is expected to be 6 percent less than the record 1942 crop. Since harvesting of most late crops is well advanced, it is expected that the final figures for the 1943 crop production will not vary greatly from this crop report.

Grain production this year will be considerably larger than the 1932-41 average, although less than the bumper crop of 1942. Wheat production is estimated at 15 percent less than in 1942. (See Table 1, 1st column.) The corn crop, however, is expected to be almost 3,100 million bushels, the second largest on record and only 3 percent below that of last year. While other feed grains made a less favorable showing, the Department of Agriculture stated that feed grain supplies are sufficient to permit carrying more livestock next year than have been on farms at any time prior to this year. Nevertheless, supplies are unevenly distributed and closely held, and in some deficit areas farmers are now having difficulty obtaining feed.

Production of potatoes, dry beans, and peanuts, among the so-called "war crops", will attain record levels, largely as a result of the expansion in acreage. Soybean production, however, may be slightly less than in 1942. Moreover, the vegetable crop, both for fresh markets and for processing, is expected to show a decrease from that of last year.

In contrast to the smaller crop production, the output of livestock products may be 10 percent above 1942. Stimulated by a favorable hog-corn ratio, the 1943 pig crop is estimated to be 21 percent larger than that of last year. Poultry production also increased sharply, with egg production almost 13 percent higher. Milk production, however, will probably show a slight decline from last year.

Greater emphasis put on direct-consumption foods

Preliminary goals of the 1944 food production program reveal that greater emphasis will be put on so-called "war crops" and foods for direct human consumption. Thus the 1944 goals call for an increase in wheat acreage of 26 percent; soybeans, 21 percent; peanuts, 31 percent; dry beans, 18 percent; sugar beets, 42 percent; and fresh vegetables, 10 percent. (See Table 1, 2nd column.) The increased acreage of direct-

- 5 -

consumption foods would be achieved partly through an expansion in the total area under cultivation and partly through a reduction in the acreage of feed crops.

While the goal for corn calls for a 3 percent increase in acreage, the acreage devoted to the three other principal feed grains, oats, barley, and grain sorghums, would be reduced substantially. Concurrent with the decrease in feed grain acreage, a sharp cut in hog production and a more moderate reduction in poultry production is desired. The 1944 goals for milk and eggs, however, are slightly higher than the production estimated for this year.

Some of the goals represent no more than another attempt to reach goals which were not attained this year. This is true in the case of milk, peanuts, and dry beans. Moreover, in view of the slight decline in milk production this year, it is doubtful whether the milk goal for 1944 is attainable.

The foregoing goals were submitted for consideration to farm representatives at various state meetings last month. After reports from these meetings have been analyzed, the final 1944 food production goals are to be determined.

Some increases in farm prices necessary

In connection with the 1944 food goals, the War Food Administrator stated last week that most farm prices are now high enough to encourage maximum production, but that higher costs will make some price increases necessary. The same point was made by the President in his message on food production, which he sent to Congress early this month.

The President also indicated that additional subsidies would be needed to enable the payment of higher prices to farmers without increasing the cost of food to consumers. While no specific commodities were mentioned, the President inferred that a continuation of the present milk subsidy beyond the original 3-month period, and the initiation of a bread subsidy, probably would be necessary. The cost of food subsidies is now approximately \$800 millions per year, with the CCC losing \$350 millions annually in supporting prices above the market level and the RFC spending \$450 millions in subsidies to reduce meat and butter prices.

- 6 -

WLB to resist drive against "Little Steel" wage formula

Predictions that the recent coal wage agreement would be followed by a reinvigorated drive against the "Little Steel" wage formula were borne out last week as the United Steel Workers Union served notice that on or about December 1 it would formally open a campaign for wage adjustments. In addition it was indicated that other CIO unions also would probably press drives for wage increases, while the AFL Weekly News demanded that the formula for adjusting wages be revised.

In the face of increasing pressure from the labor unions, however, Chairman Davis at mid-week asserted that the WLB would firmly maintain its wage stabilization policy, and he also stated that the WLB had no power to change the "Little Steel" formula under existing Executive orders. While admitting that the outcome of the coal wage dispute had injured the WLB's capacity to deal with strikes, the Chairman claimed that its wage stabilization policy was unimpaired. Moreover, he reiterated the thesis that maladjustments in wages and prices should be corrected by forcing down prices rather than by pushing up wages.

Aside from discontent over actual pay rates and working conditions, much labor unrest apparently stems from procedural delays in settling wage demands. Thus the non-operating employees of the railroads still have not received a pay increase which was recommended last May by an Emergency Board after protracted hearings. Likewise, it is reported that a great deal of the labor unrest and turnover in aircraft plants has been due to delays in WLB consideration of applications for wage adjustments. In response to complaints of delay in handling aircraft cases, the director of the Wage Stabilization Division of the WLB has stated that the processing of cases cannot be speeded up without the help of additional personnel.

Factory payrolls at new high

Meanwhile data just released by the Bureau of Labor Statistics reveal that factory payrolls in September showed a further rise of 1.8 percent to a new war-time peak of 328.3 (1939-100). At the same time factory employment in September actually declined about one-third of 1 percent. With payrolls continuing to rise despite a slight decline in employment, estimated average weekly earnings of factory workers in September reached a new high of \$44.40. Reference to Chart 5 will reveal that this is 85 percent above the level of September 1939 and 17 percent above that of September 1942. These gains

- 7 -

compare with comparable rises in living costs of 23 percent and 5 percent, respectively. Thus, despite the wage stabilization program and the failure to roll back prices to September 1942 levels, weekly earnings of factory workers on the average have been rising considerably faster than living costs.

Jewelry sales feature retail trade

Retail trade continues very active, with department store sales in the week ended November 6 rising to a new high for the year. However, the gain over year-earlier levels narrowed slightly to 10 percent from 11 percent in the previous week. Increased demand is reported for quality items and luxury goods such as jewelry. A recent Wall Street Journal survey of jewelry store sales in 9 large cities revealed wide sales gains over year-earlier levels in all cities. War workers and men in the armed forces are said to be the heaviest purchasers while sales to wealthy customers are reported to be declining.

Department of Commerce figures on September retail sales reveal that jewelry store sales during the month (seasonally adjusted) were 228 percent above the 1935-39 average, thus showing by far the widest gain over the base period of any major store group. The volume of jewelry sales has reached such a high level that some merchants are reported to prefer a slowing down in sales, particularly since profits in some instances have been carried into the upper income tax brackets while merchandise stocks, which will be hard to replace, are being depleted.

Civilian goods survey under way

In order to obtain a more accurate knowledge of the extent of civilian goods shortages, the Office of Civilian Requirements of the WPB is reported to have embarked on a sampling program which will cover 115 types of goods and services in every geographic area. Census enumerators are to be used to find out what products are most needed by the civilian population, whether available supplies are being distributed fairly and what quantity of durable goods, such as washing machines, etc., are now in the hands of consumers.

As a result of this survey, the Office of Civilian Requirements hopes to acquire information which will enable

- 8 -

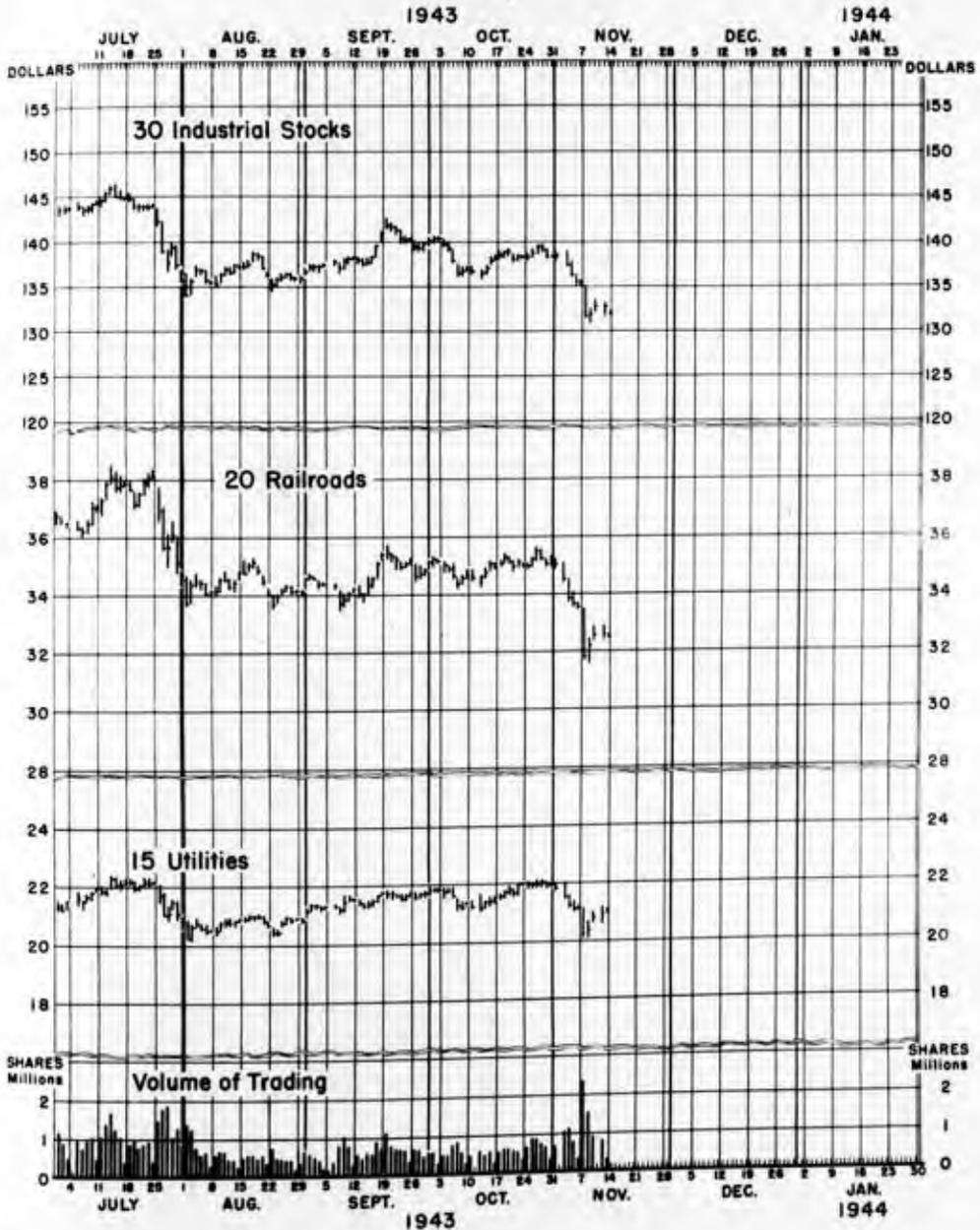
it to meet civilian demands within the limits imposed by military needs. If the survey can be followed up by increases in production sufficient to alleviate acute shortages in essential items, a substantial contribution to the struggle against inflation may be made.

Table 1

	1943 production, percent of 1942	1944 goals (preliminary) percent of 1943 acreage or production
Wheat	85	126
Corn	97	103
Oats	85	91
Peanuts	122	131
Soybeans for beans	98	121
Potatoes	126	102
Dry beans	113	118
Cotton	89	100
Fresh vegetables	91	110
Processing vegetables	93	106
Spring pig crop	121	84
Fall pig crop	121	81
Milk	99	103
Eggs	113	101

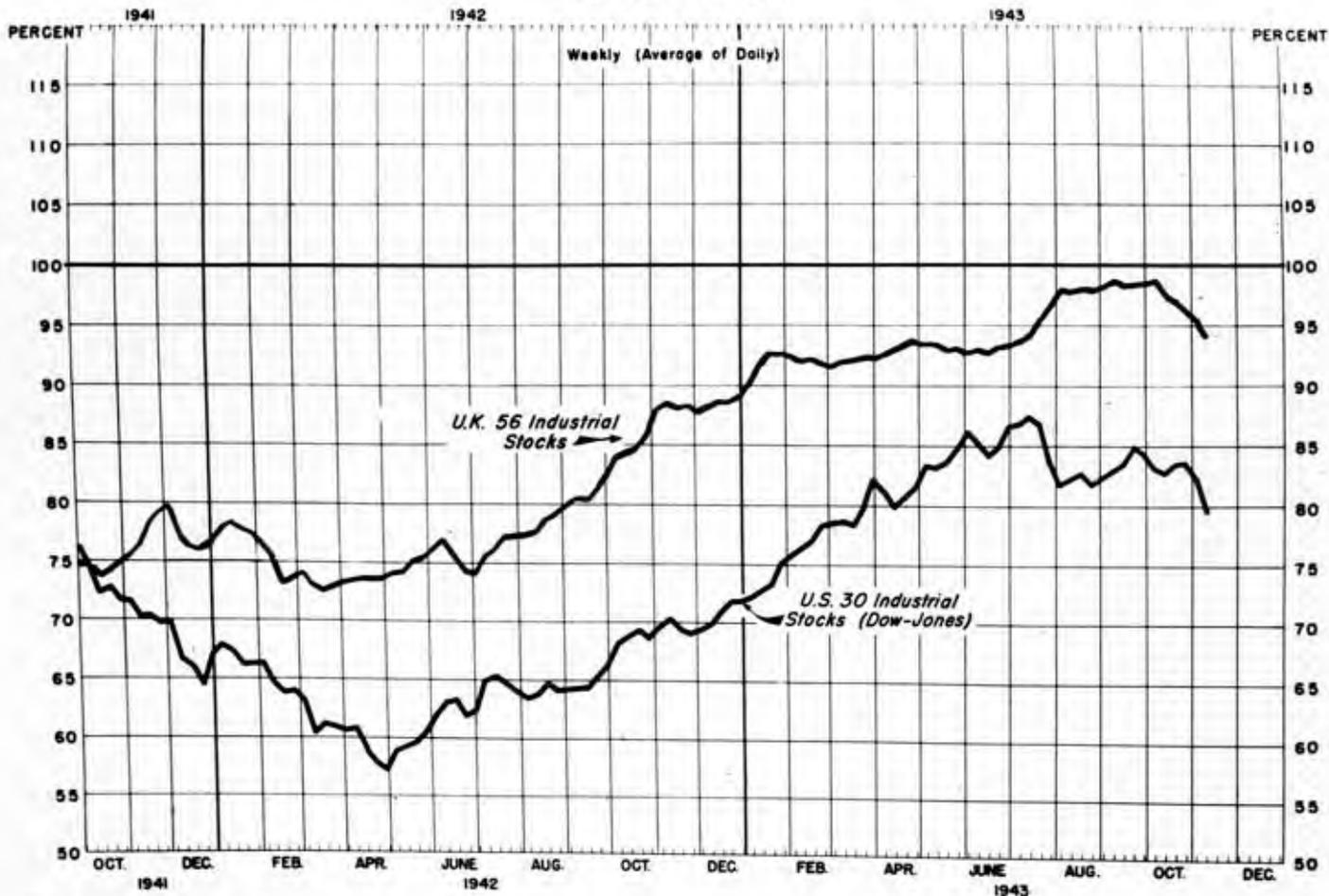
STOCK PRICES. DOW-JONES AVERAGES

Daily



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

AUGUST 1936 = 100



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

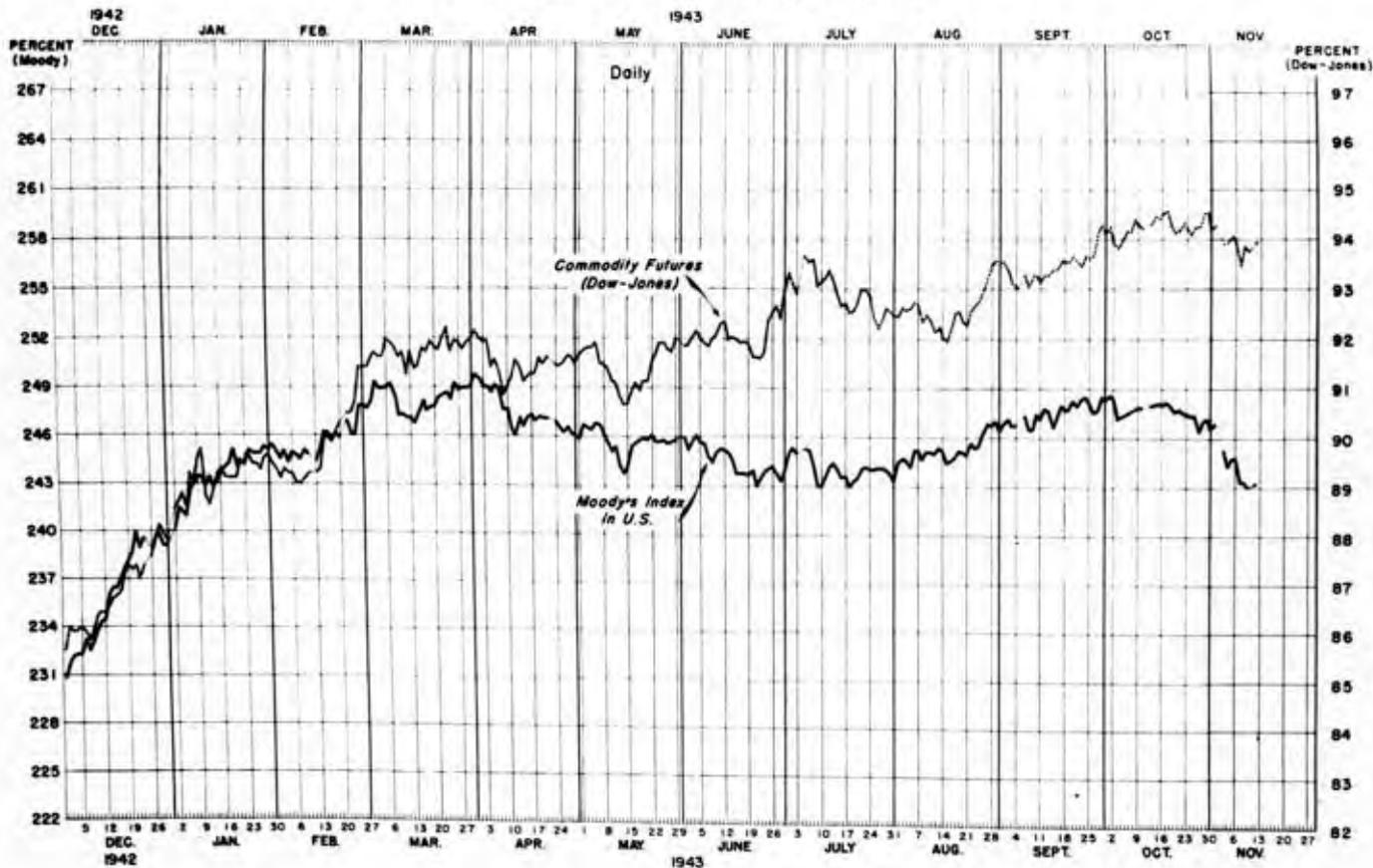
Chart 2

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FD-156-B

Regraded Unclassified

COMMODITY PRICE INDEXES IN U.S.



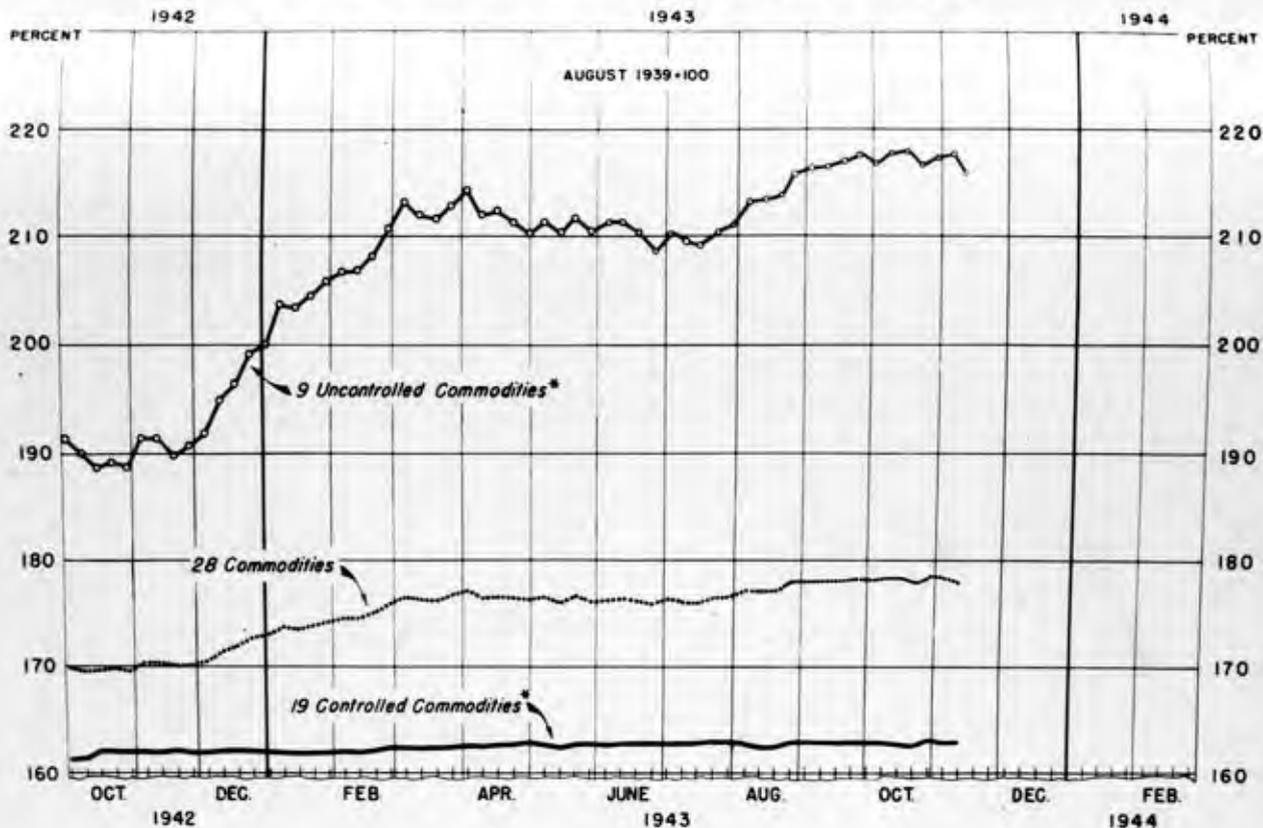
Office of the Secretary of the Treasury
Bureau of Research and Statistics

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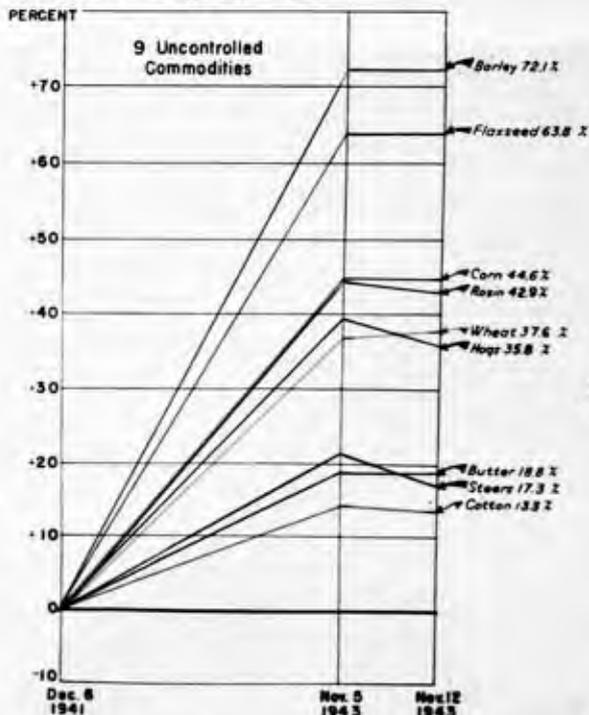
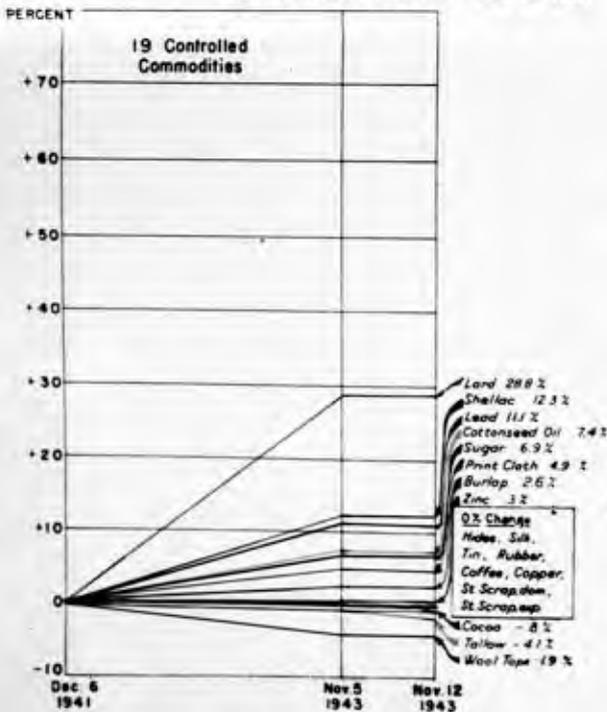
Chart 3

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MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO NOV. 5, AND NOV. 12, 1943



* 20 Controlled & Uncontrolled previous to June 26, 1942

FACTORY EMPLOYMENT, PAYROLLS AND WAGES

1939 = 100, Unadjusted

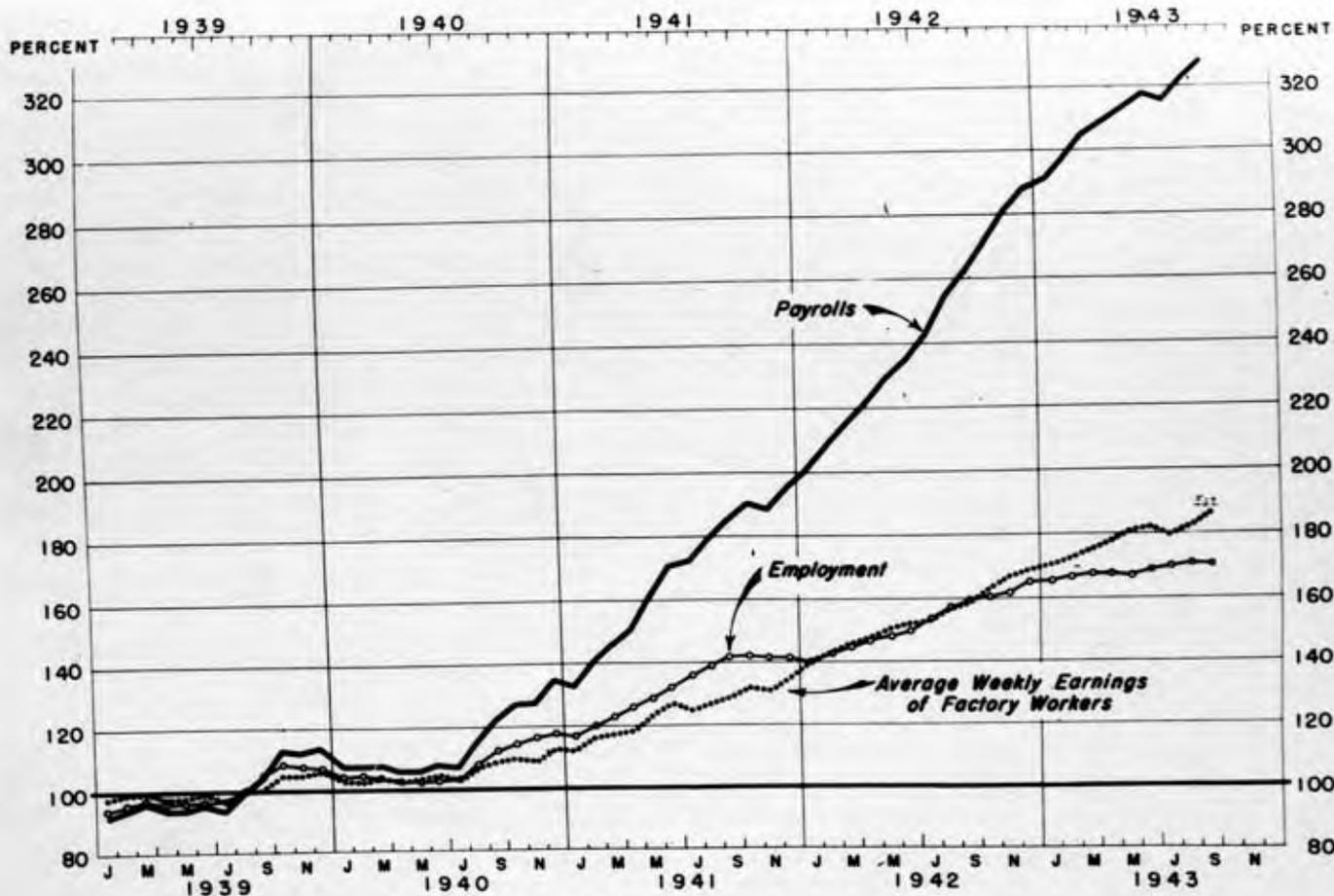


Chart 5

November 15, 1943

Roy Blough

The Secretary

Will you please give me two tables, one showing how much income we have taken in through income tax for the individuals and corporations and other revenue beginning with 1933 down to date? I'd like it all on one sheet but broken down into personal income tax, corporation income tax, excise tax and other revenue and then a total figure. Then I'd like another table which would show that when I went before the House from the beginning, each year how much I recommended and how much increase I recommended -- how much I recommended total, anyway -- whatever the figure was I recommended, and what was the net result. In other words, I want to check up on myself and see how good my batting average has been.

See Blough's memo

11/16/43.

November 15, 1943

John Sullivan
The Secretary

Sunday's New York PM Newspaper says that as a result of the Aurelio case we are making an income tax investigation. Get hold of the Sunday PM and read the article, then look into it. I'd like to know whether we are or are not making any income tax investigation. Thank you.

Sullivan gave memo to Hojn

John Sullivan
The Secretary

November 15, 1943

On the front page of the Sunday Post there is a story by Linton Burkett about the Department of Justice and John L. Lewis. And it said that the Department of Justice presented the case in Illinois for indictment but they couldn't get an indictment. I wonder if that is true. After you have read it and inquired, please talk to me about it.

See Sullivan's memo of

11/15/43-

November 15, 1943

Harry White
The Secretary

In Sunday's Times there is a statement which I think is highly significant by Ambassador Oumansky in Mexico City in which he says that they expect to go on over 200 miles into Poland and then refers to a 1939 treaty or arrangement. I am not familiar with that. I wish you'd have somebody in your office read the statement and get a little map of Europe and draw me up whatever the 1939 line of Poland boundary is and what other boundaries they have in mind when they say the Russian Army at present is only 70 miles from the Polish boundary.

I have no doubt that when Oumansky said that he knew what he was talking about. This is something that they have agreed to secretly at the recent Moscow conference.

*Mr. White gave map
to Secy. 11/15/43.*

November 15, 1943

Harry White

The Secretary

Please find out today what Beanie Baldwin is doing and whether he'd like to come with the Treasury or not. Let me know, please.

White talked to

Hyatt 11/15/43 - Finished -

Nov. 15, 1948

Mr. Paul
Mr. White
Secretary Morgenthau

Mr. Gray of Secretary Hull's office asked me whether I would be willing to hold up doing anything on the Argentine freezing matter until after Thursday when Secretary Hull would be available to discuss it with me. He is to appear on the Hill on Thursday, and is busy until then preparing for his testimony. I have sent word to Mr. Hull that I will do nothing until I see him.

NOV 15 1943

Dear Mr. Luxford:

I have just been informed that your draft board is considering changing your present Selective Service classification of 3-A and that, unless some action is taken to prevent it, we will have to anticipate the probability that you will be inducted into the armed forces soon.

It would be farthest from my thoughts to wish to deprive you of the honor of military service while our country is at war, but on the other hand I believe you would want to serve in the post where you can be most useful. In my judgment that post is the one you now occupy. Your position as Assistant General Counsel in charge of legal work in the Foreign Funds Control field, and your responsibilities in supervising the handling of important legal matters that have arisen and will arise in connection with currency, monetary and fiscal problems of the Department, are such that it would be difficult if not impossible to replace you at this time with anyone having anything like adequate experience in this field. As you know, the situation is further complicated by recent losses in your division, to say nothing of further losses we must anticipate in the future.

I have therefore determined to ask your draft board to defer you from military service on occupational grounds, and it is my hope that you will, even at sacrifice of your own inclinations and desires, consent to remain and carry on your present work for us.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Ansel F. Luxford,
Assistant General Counsel
Treasury Department
Washington, D. C.

JJO'C.Jr/lsw 11-11-43

NOV 15 1943

Dear Mr. Acheson:

Reference is made to your letter of November 9, 1943 enclosing a copy of a letter, with enclosures, sent to Mr. Crowley and requesting comments on the proposal that all transactions between the Union of South Africa and the United States be placed on a cash basis.

An arrangement under which the Union of South Africa would pay cash for everything obtained in the United States and we would pay cash for everything obtained in the Union not only would be satisfactory to the Treasury, but would be in line with the position we have taken all along. You will recall as long as a year ago I took the position that if lend-lease assistance to the Union of South Africa was to be continued it would have to be justified on other than financial grounds and that in the absence of other overriding considerations the Treasury was prepared, in view of South Africa's increasing gold holdings, to recommend the discontinuance of all lend-lease assistance to that country.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Dean Acheson,
Assistant Secretary of State,
Department of State,
Room 215 1/2,
Washington, D.C.



DEPARTMENT OF STATE
WASHINGTON

November 9, 1943

My dear Mr. Secretary:

With reference to previous discussions concerning the financial position of South Africa in relation to Lend-Lease aid, I enclose a copy of a letter with enclosures which I am today sending to Mr. Crowley. I should be grateful for your comments on the suggestion that South Africa pay cash for everything which it obtains from this country and that we correspondingly pay cash for anything received from South Africa.

Sincerely yours,

Dean Acheson
Assistant Secretary

Enclosure:
To Mr. Crowley
with enclosures.

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.



Dear Leo:

With reference to my letter of October 30, 1943 enclosing a copy of the memorandum given me on October 22 by the South African Minister concerning reciprocal aid, I enclose a copy of a memorandum of conversation which I had with him on November 6.

I should be grateful for your comments on the procedural questions raised in the Minister's memorandum of October 22.

I would also like to call your particular attention to the possibility which we discussed of making an arrangement with the Union Government similar to that which we have with the Canadian Government, whereby each Government pays cash for whatever it obtains from the other. In view of South Africa's exceptionally strong financial position I think this idea has definite merit. What do you think?

I also enclose a copy of an aide-memoire from the Australian Legation dated November 5, 1943 stating that the Australian Government is unable to agree to furnish raw materials on reciprocal aid terms. Would you wish to formulate specific requests as suggested in the last paragraph of the aide-memoire or would you prefer that

we

The Honorable

Leo T. Crowley,

Administrator, Foreign Economic Administration.

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we ask the British Government if it is prepared to reimburse the Australian Government for raw materials furnished us as reciprocal aid, or that both steps should be taken?

Sincerely yours,

Dean Acheson
Assistant Secretary

enclosures:

1. Transcript of conversation, November 2, 1943.
2. Title page from Australian Edition, November 4, 1943.

DEPARTMENT OF STATE

Memorandum of Conversation

Nov. 6, 1943

DATE:

SUBJECT: Reciprocal Aid -- South Africa

PARTICIPANTS: The South African Minister; Mr. J. R. Jordaan, Secretary of the South African Legation; Mr. H. E. Andrews, Head of the South African Government Supply Mission; Mr. Acheson; Mr. Achilles

COPIES TO: FEA, A-A

The South African Minister called at his request to discuss the South African memorandum of October 22, 1943 concerning reciprocal aid.

Mr. Acheson observed that the Legation's memorandum raised a number of procedural points which he felt would cause concern in FEA. FEA's primary concern was to obtain strategic materials essential to our war effort as rapidly as possible; whether it paid cash or received them as reciprocal aid was a secondary consideration. If the Union Government's acceptance in principle of our request for raw materials were conditioned by rigid procedural requirements, we might find it preferable to continue paying cash for raw materials from the Union. The Minister said that he hoped government procurement would not result in delays and that in any event the points raised in his memorandum were merely points for discussion, not conditions.

Mr. Acheson expressed regret that the Union Government maintained its position that there must be an agreement in each case before our own supplies were furnished to our forces outside the territory of the Union. Mr. Jordaan said that, as the memorandum stated, his Government's objection was not one of principle but was based on political considerations. Mr. Achilles said that one of our political difficulties was to justify our giving long-term aid to South Africa in

view

view of its exceptionally strong financial position. Mr. Andrews commented that South Africa was receiving only a very small amount of actual combat equipment on Lend-Lease terms, and that it paid cash for everything else. Mr. Acheson wondered what the political effect would be in the Union if an arrangement were made similar to that between this Government and Canada, whereby Canada paid cash for everything it obtained from the United States and we paid cash for everything obtained from Canada. Mr. Andrews and Mr. Jordaan thought such an arrangement might have definite political advantages in the Union. Mr. Achilles thought it would have definite political advantages here. It was agreed that this possibility should be further explored and that NSA's comment should be obtained concerning the procedural points raised in the Legation's memorandum.

Eu:TC Achilles:hc

5th November, 1943.

AIDE-MÉMOIRE

The Government of the Commonwealth of Australia has given careful consideration to the request of the United States Government for the extension of reciprocal lend lease so as to include raw materials and foodstuffs imported into the United States from Australia, as set out in the Aide-Mémoire dated 6th October, 1943, and handed by Mr. Dean Acheson to the Australian Minister in Washington.

The Government of the Commonwealth of Australia notes that the reciprocal aid rendered by it to the United States forces in the Southwest Pacific area is deeply appreciated. Requests made under the present agreement have recently assumed much larger proportions and for the present financial year expenditure on reciprocal aid is expected to reach close on to £A 100,000,000 or one-sixth of Australian war expenditure.

The provision of reciprocal aid under the present arrangements, in conjunction with the requirements of the Australian forces and other essential commitments, is imposing such a heavy strain on Australia's very limited resources that Australia is already faced with a serious balance-of-payments shortage which will be intensified if the

Allied forces based on Australia grow and the demands under the present reciprocal lend lease agreement increase.

After a full examination of present and prospective commitments, the Government of the Commonwealth of Australia feels that these commitments are so great and its manpower position so acute that Australia has reached the practical limits of the contribution it can make by way of reciprocal aid. The Commonwealth Government is therefore unable to agree to an extension of reciprocal lend lease along the lines proposed by the United States Government, which would commit the Commonwealth Government in principle to the provision of reciprocal aid in a new field involving an unspecified number of commodities.

It is however recognised that circumstances may arise in which the United States Government would desire to submit a special request for a particular commodity and in such circumstances the Commonwealth Government will be prepared to consider at the time and in the light of then existing conditions the question of the supply of such commodity by way of reciprocal lend lease.

Mr. White:

The Secretary has read. He does not think he will do anything unless you want to speak to him about the matter.

N.M. Chauncey

(These two originals to be returned to Miss Chauncey)

one of 11/17 left with *Beay*

November 15, 1943

MEMORANDUM FOR THE PRESIDENT

On January 1, 1943, you approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended, in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about \$600 million nor above about \$1 billion."

This recommendation was based on the recognition that the purpose of the Lend-Lease Act is to provide our Allies with the goods and services that they need for the vigorous prosecution of the war and on the assumption that our arrangements with lend-lease countries should be so conducted as to maintain their gold and dollar balances at a level consistent with this objective.

The ceiling of \$1 billion for the United Kingdom seems to us to be based on a literal interpretation of Congressional intent as well as of the British-stated need for a minimum working balance of \$600 million to meet contingencies everywhere. (These figures do not

- 2 -

include an additional \$300 million of dollar balances held by British banks and other concerns and regarded by the British as necessary for their working purposes.)

You will recall that in testifying on the Lend-Lease Bill in January 1941, the Secretary of the Treasury assured Congress that the British had only sufficient dollar exchange resources to pay for the goods they had already ordered in this country and that for this purpose they had agreed to sell every dollar of American property owned by English citizens. These commitments to Congress were, of course, made with the approval of British authorities.

Roughly only \$400 million of the estimated \$1.5 billion of American investments owned by residents of the United Kingdom at the time the Lend-Lease Bill was presented to Congress in January 1941 have been sold. Of the remainder, approximately \$500 million of securities have been pledged against the loan of \$390 million extended by the R.F.C. in July 1941. Forty million have since been repaid, leaving Britain's debt to the R.F.C. on this account at \$350 million. The British Government's liquid dollar exchange assets have risen during this period from about \$350 million to almost \$1.6 billion, or to a level three-fourths as high as at the outbreak of war.

- 3 -

The increase in Britain's gold and dollar balances since the beginning of 1941 is revealed by the table below.

	Dec. 30 <u>1940</u>	Oct. 31 <u>1943</u>
	(In millions)	
Gold.....	\$ 292	\$ 975
Official dollar balances.....	<u>54</u>	<u>615</u>
Total*.....	\$ 346	\$ 1,590

The increase in Britain's dollar holdings since the introduction of the Lend-Lease Bill to Congress has been the result of a deliberate and concerted policy initiated and pressed early in 1941 by the Treasury Department with the cooperation of the other agencies concerned,

*In addition to the gold and dollar holdings of the British Government, residents of the United Kingdom held the following assets on December 30, 1940 and October 31, 1943.

	Dec. 30 <u>1940</u>	Oct. 31 <u>1943</u>
	(In millions)	
Private dollar balances.....	\$ 305	\$ 320
U.S. securities.....	616	360
Direct and miscellaneous invest- ments in U.S.....	<u>900</u>	<u>785</u>
Total.....	1,821	1,465
<u>Deduct securities and direct invest- ments lodged against the \$350 mil- lion advanced to the British from the R.F.C.....</u>	<u>-</u>	<u>500</u>
Total, adjusted for collateral lodged with the R.F.C.....	\$ 1,821	\$ 965

- 4 -

originally in order to relieve the pressure on Britain's gold and dollar holdings and later in order to restore these balances to a level considered by the British as necessary for working purposes. Among the steps taken to this end were the placing of a number of transactions under lend-lease for which the British would otherwise have had to pay dollars, the purchase by this Government of Britain's interest in certain munitions factories in this country, and the transfer to the U.S. Government of a number of British contracts for war materials. In our opinion, these extraordinary measures were justified only for that period during which the British Government's cash reserve of gold and dollars fell considerably short of the level they insisted was necessary.

During the early months of this year, discussions of the Interdepartmental Committee concerned with these matters revolved about considerations raised by the British concerning the ceiling placed on their balances. Whereas the Treasury and the Board of Economic Warfare, with the support of the War Department, pressed for a literal interpretation of the January 1 agreement and for its immediate implementation, State Department and Lend-Lease accepted the British position that allowance should be made for Britain's gold and dollar demand liabilities

- 5 -

to overseas countries and that, in view of her other overseas short-term obligations, there should be a reconsideration of the maximum placed on her gold and dollar balances.

The Treasury and the Board of Economic Warfare pressed for an examination of the methods of reducing Britain's net current dollar receipts. We advocated a reduction in civilian lend-lease, but State Department and Lend-Lease Administration were reluctant to recommend such a step in the absence of an exhaustive reexamination of our policy of financial assistance to the British and of Britain's over-all international financial position. They did agree, but chiefly for internal political reasons, to the suggestion to request the British for strategic and other materials as reciprocal aid, estimated likely to amount to \$200-\$300 million during the ensuing year. The suggestion was immediately placed before the British. Several months elapsed before the British agreed to the proposal in principle and even then only after considerable prodding and pressing. Several more months have been spent in an endeavor to arrive at methods of implementing the proposal. We are disappointed with the progress made to date and we think there is little reason at present to be hopeful about future progress.

- 6 -

During the interval since January 1, 1943, Britain's gold and dollar balances have risen steadily. Notwithstanding, many of the measures initiated during the early days of Lend-Lease solely because of Britain's acute shortage of dollar exchange have been continued with the consequent increase in British balances to a level almost three times as high as the \$600 million originally specified by them as necessary to meet contingencies outside the United States. This rise may be expected to continue at a rate of at least \$500-\$600 million unless deliberate steps are taken to interrupt this trend.

The British emphasize that this rise in their gold and dollar holdings is only a fraction of the increase in their short-term indebtedness to overseas countries other than the United States. They assert that \$365 million of these liabilities represent a specific claim against an equivalent amount of gold and dollars and that these assets must be subtracted from their total holdings in order to arrive at a figure of their available gold and dollar reserve. They report that their remaining short-term sterling liabilities to overseas countries total the equivalent of \$7 billion, or five times the amount of gold and dollars held against them, and that these sterling liabilities are increasing at a rate of \$2.5 billion a year.

- 7 -

The British conclude that the continued accumulation of gold and dollars is a prerequisite to the continuation of the policy by which they have managed to finance their war expenditures in India, the Near East and other overseas areas.

There is merit, of course, in the British position, but we feel that neither Britain's international financial position outside the United States nor its post-war needs were among the considerations which prompted Congress to pass the Lend-Lease Act. In our opinion, lend-lease aid is being extended to Britain in order to enable her to secure in the United States those goods and services essential to the prosecution of the war for the purchase of which they lack the necessary dollars, and that to administer the Act in such a way as to help underwrite Britain's short-term indebtedness to other countries or to improve its post-war financial position is a breach of faith with Congress. In our view, if the decision is so to administer the Lend-Lease Act, Congress should be informed and given an opportunity to express its opinion.

We feel that our evaluation of the situation is supported by the report of the Truman Committee entitled "Outlines of Problems of Conversion from War Production" and submitted to Congress on November 5, 1943. To quote from page 13 of this document:

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"In the latter connection, we should never forget that lend-lease was originally authorized by the Congress, solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them. Lend-Lease was never intended as a device to shift a portion of their war costs to us, but only as a realistic recognition that they did not have the means with which to pay for materials they needed.

"Before authorizing lend-lease, the Congress expressly requested and received assurances that lend-lease assistance would be extended only where the recipient was fully utilizing all of its own resources."

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In view of all these circumstances, we propose

- a. To take steps to have the British pay for a larger proportion of civilian goods obtained in this country than they have in the past, and
- b. To discontinue those transactions which were originally approved for lend-lease only because of Britain's acute shortage of dollars but which, in view of the present size of Britain's balances, can, in our opinion, no longer be justified. Among these transactions are the purchase of fish in Iceland for consumption in England, the purchase for dollars of sugar in the Caribbean area and oil outside the United States and the shipment of civilian goods to the Near East.

If you approve, will you please indicate below.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

234

DATE

November 15, 1943

TO Secretary Morgenthau

FROM R. E. McConnell

PERSONAL AND CONFIDENTIAL

Complying with the suggestions in your memoranda of November 9 and November 10, I talked with Dr. Lubin on November 9, who suggested that we call on General Browning as soon as he returned to Washington on November 15. Dr. Lubin, however, was unable to meet General Browning with me this morning.

I spent nearly two hours with General Browning, who discussed various aspects of the problem of disposal of Government surpluses. He seems very apprehensive about being able to make Congress or the public understand that a great many tools and instruments are tailor-made for a specific function in the process of manufacturing complicated ordnance and munition requirements; that when such ordnance and munitions are no longer required, the tools, and in some cases the special materials, are of little or no value for any other purpose, and must be sold for scrap at a small fraction of their cost; that such transactions, although entirely proper and fair, may very well attract uninformed criticism which would make the headlines.

I saw Mr. Mack before seeing General Browning, and he did not seem to have any lack of interest in the subject of the disposal of surpluses. I think he is quite prepared to do the best job he can whenever the military agencies declare surpluses.

I asked General Browning if there had been any lack of proper performance on surpluses declared to date. He said he thought some of his officers were of the opinion that the Procurement Division was not acting quickly enough. I asked the General if we could discuss specific instances with the proper officers, and he very readily agreed. I met four or five officers who were concerned with the disposition of surpluses, but none of them seemed to share entirely the viewpoint of General Browning. At any rate, they could not

-2-

specify any lack of performance on the part of the Procurement Division in disposition of surpluses. As a matter of fact, the Army has declared very little in the way of surplus to date. General Browning's office, however, will check back and let me know of any specific instances in which the Procurement Division has not performed.

When I saw General Greenbaum on the 12th, I asked his opinion of the Procurement Division of the Treasury Department. General Greenbaum said that he thought it had been doing a very good job, and that he had heard no adverse criticism.

I believe General Greenbaum is right. The whole problem of the disposal of surpluses is going to be a terrific headache. Whoever does it is undoubtedly going to be subject to some unjust criticism. The subject has already come up before the Contract Termination Board appointed by the Baruch Committee, because substantial surpluses are frequently created through contract cancellations. These surpluses are usually coupled with the problem of cancellation, and it seems to be the consensus that such surpluses should be disposed of in part at least, by the contracting agencies. This raises the objection, however, that a number of different agencies may be selling material and equipment on the same market.

I am not at all clear yet as to the most expeditious and efficient manner of handling this problem. I will be very happy to keep you advised as the situation develops.

NOV 15 1943

My dear Mr. Baruch:

I have your letter of November 12, 1943, confirming, as I had already understood, that Judge Byrnes has asked you to develop uniform programs and policies for dealing with certain of our war and post-war adjustment problems.

The various aspects of the subject which concern the Treasury Department have been indicated in the central column of the attached "Second Preliminary Draft of Government V-Day Problems." Where the letter "T" occurs in the column under "Agency," the Treasury will be concerned.

Some work has been done by various members of the Treasury Department staff on practically all of the problems indicated as being a concern of the Treasury. As I told you over the telephone last week, Robert E. McConnell has been designated to represent me in the consideration of such of these problems as are handled through your office. It is my thought that Mr. McConnell will be the liaison between your office and mine, and that he will represent the Department at all meetings and conferences which you may call. Should you decide to create committees or boards for the purpose of dealing with specific problems, such as the problem of war contract termination, Mr. McConnell will call upon one or two individuals in the Department best equipped to assist in the solution of such problems, such individuals to act either as members or alternates of the committee.

Mr. McConnell will, of course, keep me informed as to the progress of his work, and, in addition, I will be very happy to discuss personally with you any of the problems which concern this Department on which you may wish to obtain my views.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Bernard M. Baruch
Office of War Mobilization
Washington, D. C.

RFM:ESD 11/15/43

AGENDA FOR "V" DAY

OBJECTIVES

ACTION

PROGRAM

<p>1. PLANS FOR POST ARMISTICE PROGRAMS: A. RELEASE OF MEN FROM WAR EMPLOYMENT. (FROM FIRST WEEK TO FOUR MONTHS.)</p>	<p>The transfer from wartime production to peacetime production with a minimum of unemployment and waste. (While our returning soldiers, sailors and airmen have justly been prodded first call on their old jobs, the first items on the agenda must deal with the solution of unemployment engendered by cessation of war production.)</p>	<p>(See Footnote) WNA WNA-T WNA-T WNA-T FSA-L FSA FSA T-SFC-PR WNA-T FSA-T L</p>	<p>1. Cancellation of war contracts. (a) Mortgages and advances not usable in peace. (b) Consumer goods. (perhaps over short term period, dependent on severity of unemployment.) (c) Termination allowances. (Specify conditions early.) (d) Readjustment of payments. (Specify conditions early.) (e) Necessary for legislative covering prompt and equitable settlement of war production losses. 2. Absorption of war workers in peacetime employment. 3. U. S. Employment Office expansion. 4. Retraining. 5. Education. 6. Loans to distress areas or groups. 7. Severance pay. 8. Unemployment insurance. 9. Reduced hours per week to increase number employed. 10. Release of Government employees. 11. Public relations.</p>
<p>B. THE USE OF SURPLUS PROPERTY. (FROM FIRST MONTH TO ONE YEAR.)</p>	<p>The disposition of all available stocks of goods to fulfill peaks of high demand.</p>	<p>T T T T S S WNA-T</p>	<p>1. Inventory and segregate that part of wartime material useful in peacetime. 2. Lay out procedure for immediate controlled sale of consumer goods as they become surplus material. (a) Furnish supply to satisfy summed up demand with minimum dislocation of private consumer. (b) Influence on inflation tendency. 3. Conversion or scrapping war material not in (2) above. 4. Export - Foreign trade. 5. Relief requirements. 6. Pre-arranged release of surplus supplies and materials.</p>
<p>C. RELEASE OF MEN FROM THE ARMED FORCES. (FROM FIRST MONTH TO TWO YEARS.)</p>	<p>The rapid reabsorption of men from the armed forces into peacetime activities.</p>	<p>WNA-FSA-L WNA-FSA-L WNA-T FSA-T WNA-FSA-L-VA FSA-VA VA</p>	<p>1. Timing dependent on (a) military and foreign policy, (b) transport, (c) aviation length. 2. Priorities (a) dependency, (b) age, (c) length of service, (d) skills, (e) individual preferences. 3. Demobilization furlough pay - adjusted compensation. 4. Unemployment insurance. 5. Absorption in private industry. 6. Education training (a) schools, (b) trade schools, (c) colleges. 7. Reclamation of functions of Selective Service, Veterans Administration, and U. S. Employment Office. 8. Rehabilitation.</p>
<p>D. USE OF WAR PLANT AND WAR DEVELOPMENT AREAS. (FROM FIRST MONTH TO TWO YEARS.)</p>	<p>The disposition or integration of war plant facilities for efficiently meeting peacetime needs.</p>	<p>S-SFC-T S-SFC-T S-SFC-T APC</p>	<p>1. Classify war plants (a) immediately usable in peace, (b) usable in the future, (c) convertible, (d) standby for national safety, (e) pilot plants, (f) scrap or second hand equipment. 2. Plan for immediate utilization of 1(a) above, and subsequent disposition of 1(b). 3. Suggest procedure for conversion, for separate utilization of structures, storage or separate sales of equipment, etc. 4. Utilization of ghost war committees. 5. Alien property utilization.</p>
<p>E. THE RELATION OF WARTIME ECONOMIC CONTROLS. (FROM FIRST MONTH TO 1 YEAR.)</p>	<p>The prevention of any unusual fluctuations or distortions in prices and production during the period of transition to peacetime production.</p>	<p>OFA-T-C WFD-T-C WFD-T-OFA etc.</p>	<p>1. Price control policy related to (a) business activity, (b) employment, (c) national income, (d) inflation, (e) tax burden. 2. Allocations of materials related to (a) progress of demobilization, (b) sale of surpluses, (c) improved supply, (d) foreign relief, etc. 3. Other wartime controls: Rationing, manpower, wages, export, etc.</p>
<p>2. STIMULATION OF PRIVATE ENTERPRISE OVER TRANSITION PERIOD A. ENCOURAGEMENT OF PRIVATE INITIATIVE. (SHORT RANGE (6 MONTHS TO 1 YEAR.))</p>	<p>Maximize and prompt production of peacetime requirements and increased employment.</p>	<p>T T T T T T-SFC-PR C</p>	<p>1. Tax adjustments to increase employment. (a) Prompt reduction of total burden. (b) Incentive burden to increase payroll. (c) Incentive to capital expenditures, which includes reconversion as well as new enterprise. 2. Redemption, refinancing and repurchase of war bonds. Policy, publicity. 3. Financing. 4. Stimulate prompt dissemination of knowledge of war inventions adaptable to peace activities. 5. Stock piles for national safety.</p>
<p>B. GOVERNMENT AID AND CONTROLS. (LONG RANGE (1 TO 4 YEARS.))</p>	<p>Build reserve of buying power after initial stocking up period. Provide economic climate conducive of prosperity but avoiding flash boom.</p>	<p>T-C T T-C OUSD-C C C</p>	<p>1. International monetary stabilization. 2. Long-range tax policy. 3. International tax policy. 4. Stimulate research and development. 5. Patent law. 6. International trade and foreign investment arrangements.</p>
<p>3. EMERGENCY STAGE OF PUBLIC WORKS PROGRAMS A. SHORT RANGE. (SIX MONTHS TO 1 YEAR.)</p>	<p>To provide an emergency bridge for initial impact of unemployment after "V" Day.</p>	<p>FNA</p>	<p>1. Short-time projects. Small projects and large undertakings in which the blueprint stage is short enough to permit employment of large numbers within thirty days of decisions and which could be terminated in thirty days. (To be outlined.)</p>
<p>B. LONG RANGE. (ONE TO FOUR YEARS.)</p>	<p>To be prepared to take care of unpredictable unemployment and to produce finished works of high usefulness and utility. Engineering, drafting and blueprint stage should be started promptly.</p>	<p>FNA</p>	<p>1. Long-time projects to employ a substantial number of workers within six months of initiation. (To be outlined.)</p>
<p>4. FISCAL AND TRADE POLICY</p>	<p>Adjustment of policies to further reconversion and stimulate employment.</p>	<p>T FSA-T FSA-T I-T I T-C T-SFC T S</p>	<p>1. Taxation. 2. Interest rates, discounts, deposits, etc. 3. Consumers credit policy, (a) installment buying, (b) mortgages. 4. New material deposits reserved for national safety. 5. Foreign rehabilitation aid. 6. Foreign credits. 7. Private industry capital requirements. 8. Treasury refunding. 9. Exports - imports.</p>

- Footnotes
- APC - Alien Property Custodian
 - C - Commerce
 - FN - Federal Reserve
 - FSA - Federal Security Agency (including Selective Service, U. S. Employment Service, and War Manpower Commission.)
 - FNA - Federal Reserve Agency
 - I - Interest
 - L - Labor
 - OFA - Office of Price Administration
 - OUSD - Office of Scientific Research and Development.
 - SFC - Subcommittee Finance Corporation
 - S - State
 - SFC - Securities and Exchange Commission
 - T - Treasury
 - V - War
 - WNA - War Navy, Maritime
 - WFD - War Production Board
 - VA - Veterans Administration

The above tabulation is a preliminary draft of "Government "V" Day Problems." This draft is merely a brief listing of some of the matters which will be crying for attention and direction on the day after the armistice is signed.

Before a properly considered judgment could be made regarding the solution of any one of the seriously different problems listed in the tabulation, it would be necessary that some of study and discussion be undertaken by any separate groups of experienced men competent to deal with such problems and arrive at sound recommendations.

The tabulation serves to point up the numerous gaps and breaks of the underlying and indicates the number of Departments and Agencies of the Government which would be involved. It also emphasizes the necessity for some over-all direction of the problem as a whole.

The intricate problems of such and financing have not been dealt with in this brief agenda. It also should be pointed out that the proper solution for many of the problems will require special legislation.

This draft is tentative, has no authorization, and is subject to deletions, additions, and corrections.

McClellan

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

James F. Byrnes
Director

November 12, 1943

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

My dear Mr. Secretary:

As you know, Director of War Mobilization James J. Byrnes has asked me to develop unified programs and policies for dealing with war and post-war adjustment problems to be pursued by the various agencies concerned. Our general approach, at present, is that the agencies which have done the mobilizing for war will have to do the demobilizing. As we see it now, our work will be to develop policies by which the agencies will supplement one another in the demobilization as they are doing in the mobilization.

Many of the agencies already have done considerable work in the field, and we do want to take the fullest advantage of what has been and is being done. Would you let me know as soon as possible what aspects of demobilization concern the Treasury Department, on which problems you may have done some work, the names of the members of your staff who have been working on these matters, and who might give us more detailed information, sparing your own valuable time?

We also would like to have any material, reports, memoranda, etc., that you may have prepared in your agency on any aspect of the problems, as well as any statements reflecting your views on these problems. We appreciate that much of the material prepared in your agency may be only in preliminary form now, but such studies would be most helpful. We will consider as recommendations or suggestions only those things which you want us to consider as such.

There would be no need to duplicate any of the material already sent to Justice Byrnes as this have been turned over to us.

As our work develops, we will want to discuss with you personally all of the problems that concern your agency.

Sincerely yours,

Bonard W. Beach



NOV 15 1943

My dear Madam Secretary:

This is in reply to your letter of November 8, 1943, requesting information concerning the proposed United Nations Bank for Reconstruction and Development, which was announced in the press a few weeks ago, for the use of the International Labor Office.

I am enclosing six copies of the statement of the "Guiding Principles for a Proposed United Nations Bank for Reconstruction and Development." This statement has been released to the press and to persons specifically requesting information on this subject. There are consequently no restrictions upon its use.

This is the only material on this subject which is available at the present time. As further material on this subject is prepared, copies will be sent to you for transmission to the International Labor Office.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of Labor.

Enclosures

DPR:ah
11/11/43

TREASURY DEPARTMENT
Washington

~~STRICTLY CONFIDENTIAL~~

October 4, 1943

Guiding Principles for a Proposed
United Nations Bank for Reconstruction and Development

Purposes of the Bank

The Bank will encourage private financial agencies to provide long-term capital for the sound development of the productive resources of member countries, and when necessary will cooperate with and supplement private capital for such purposes.

Capital of the Bank

The capital of the Bank would amount to approximately \$10 billion subscribed by member countries according to an appropriate formula. Member countries will make an initial payment of 20 percent on their shares.

When the Bank needs additional funds for its operations, it may make calls upon the unpaid portion of subscriptions as needed, but not exceeding 20 percent in any one year. A large part of the capital would be reserved, in the form of uncalled subscriptions, as a surety fund against securities guaranteed or issued by the Bank.

The initial and subsequent payments are to be made partly in gold and partly in local currency. The proportion paid in gold, not exceeding 20 percent of the payment, will be fixed by a schedule which takes into account the adequacy of the gold holdings of each member country. The local currencies held by the Bank are to be repurchased by member countries with gold at the rate of 2 percent of the subscriptions annually.

Powers and Operations of the Bank

The Bank may guarantee loans made with private capital to any member government, and through the government to any of its political subdivisions and to business and industrial enterprises in the member country.

~~STRICTLY CONFIDENTIAL~~

- 2 -

The Bank may participate in loans made with private capital or make loans out of its own resources only when the borrower is unable to secure the funds from private investment sources on reasonable terms.

The decisions of the Bank will be based exclusively on economic considerations. In passing upon any application to guarantee, participate in, or make a loan, the Bank shall give consideration to the soundness of the investment project or program, to the budgetary position of the member government guaranteeing the loan, and to the prospective balance of payments of the member country.

All loans which the Bank guarantees, participates in, or makes must fulfill the following general conditions: (a) payment of interest and principal must be fully guaranteed by the national government of the member country; (b) The investment project or program must have been investigated and approved by a competent committee; (c) The terms of the loan must be reasonable, and (d) On guaranteed loans the Bank must be compensated for the risk it assumes.

The Bank will impose no conditions as to the member country in which the proceeds of a loan are to be spent. When a loan is made by the Bank, it will credit the account of the borrower with the amount of the loan, and payments in the appropriate currency or currencies will be made from this account to meet audited expenditures. No loan may be made in the currency of any country without its approval.

Payments of principal and interest must be made in free currencies, or by agreement, in the currency in which the loan was made. In the event of an acute exchange stringency, payments of interest or principal may be made for a reasonable period in local currencies to be replaced subsequently with free currencies.

The Bank will deal only with or through the governments of member countries, their central banks and fiscal agencies, and with or through international financial agencies that are owned predominantly by member governments. However, with the approval of the member countries, the Bank may guarantee international loans placed in their countries, and may sell or pledge any of its own securities, or securities taken from its portfolio in the markets of such countries. With similar approval, the Bank may sell gold or foreign exchange held by the Bank after consultation with the International Stabilization Fund.

~~STRICTLY CONFIDENTIAL~~

- 3 -

The resources of the Bank shall be used for the benefit of the member countries.

Management of the Bank

The administration of the Bank will be vested in a Board of Directors consisting of one director, or his alternate, appointed by each member government. The Board will appoint an Executive Committee, and an Advisory Council, and such other committees as it finds necessary for the work of the Bank. The voting power of the member countries will be closely related to their share holdings.

A country may withdraw from membership by giving one year's notice. The shares of any member country that withdraws from membership would be repurchased by the Bank over an appropriate period at par or at book value if that is less than par.

One-fourth of profit should be applied to surplus until surplus equals 20 percent of the capital. The remaining profits will be distributed in proportion to shares held.

DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

*Previous file
attached.*

November 8, 1943

The Honorable
The Secretary of the Treasury.

My dear Mr. Secretary:

I wish to make further reference to your letter of July 2nd, with which you were good enough to send me for transmission to the International Labor Office copies of the preliminary and revised drafts of the Stabilization Fund Proposal. This was very much appreciated by the officials of the International Labor Office.

I am now writing to ask if you would send me, for the same purpose and in accordance with the final paragraph of your letter, the proposal for an international development authority, to which reference is made in the New York Times of October 9th, and any other documents related to proposals for international reconstruction which may have been prepared since the date of your letter.

The use of any part of this material could again be restricted in the way provided for in the earlier communication.

Sincerely yours,

James V. Mearns

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRETCOPY NO. 12U. S. SECRETCPASL No. 374

Information received up to 10 a.m. 15th November, 1943.

1. Naval

Three Tank Landing Craft have sunk and others were damaged in heavy weather on passage from Gibraltar to United Kingdom. On 13th evening Destroyers bombarded enemy positions on LEROS in support of our counter attack. Bad weather has prevented small craft from SAMOS reaching LEROS with reinforcements but last night the gale was moderating.

2. MILITARY Leros To 1230 p.m. 14th. During night 13th/14th situation worsened, the enemy again reinforcing his troops in the 'waist' by landings in the Bays, but greatly improved yesterday. On 13th/14th counter attack on APPEFICI failed but another one in the Northern part of the Island regained some ground and at 9 a.m. 14th a concerted counter attack on QARANTA (immediately North East of the 'waist') progressed well and by 1230 p.m. QARANTA was almost entirely surrounded and over 200 prisoners taken. The enemy, in spite of our counter attacks, retain their footing on the Eastern Coast of the central sector but are being contained by our troops. Enemy has kept up heavy dive-bombing attacks.

Italy. On the right our troops continue their patrol activities across the RIVER SANGRO, and in the centre have advanced about three miles clearing the high ground West of RIONARO.

3. AIR OPERATIONS Italy 12th. Medium bombers dropped 41 tons on a railway bridge 55 miles Northwest of ROMA. 83 light and 47 fighter bombers attacked communications North and South of ROMA.

12th/13th. Wellingtons dropped 51 tons on railways and bridges near FLORENCE and 70 miles South East of LESHAN.

13th. 71 light bombers attacked PALERMO Northeast of FROSINONE and ATINA 20 miles North Northeast of GAZTA. 138 light and fighter bombers attacked objectives in the battle area.

ABRUZZI 13th. escorted JU 87's and 88's operated on an extensive scale over LEROS, and JU 52's dropped paratroops.

13th/14th. 10 heavy bombers attacked CALATO landing ground (RHODES) and 11 medium and light bombers attacked objectives on COS. Ends.

OFFICE
OF THE
SECRETARY OF THE
TREASURY

16 PM 141

NAVY
DEPARTMENT