DIARY

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Secretary Morgenthau announced today that the Fourth War Loan Drive would start January 18, and would run until February 15, 1944.

The goal has been set at $14,000,000,000. Five and one-half billion dollars of this amount is to be raised directly from individuals.

The State War Finance Committees will have the task of raising this $14,000,000,000. These committees are being strengthened and expanded to meet the necessity of increasing the number of people who are buying War Bonds. Millions of volunteer salesmen are now ready to carry this campaign for funds to every individual investor in homes and in plants throughout the nation.

The major emphasis throughout the entire period of the Drive — January 18 to February 15 — will be placed on the quota of $5,500,000,000 for individuals. During the period from January 18 to February 1 only sales to individuals will be reported by the Treasury. The reporting of sales to individuals will be supplemented starting February 1 with reports of sales to other non-banking investors — the quota for which is $8,500,000,000. This will not preclude the acceptance of subscriptions from other non-banking investors at any time during the Drive.

All subscriptions for Savings Bonds and Savings Notes received at the Federal Reserve Banks or at the Treasury of the United States between January 1 and February 29, 1944, will be credited to the Drive.

The goal and the type of securities to be offered were determined by the Treasury after consultation with the chairman of the State War Finance Committees, officials of the Federal Reserve System, the American Bankers Association and other investment authorities.

The securities to be sold under the direction of the War Finance Committees will consist of:

- Series E Savings Bonds
- Series F and G Savings Bonds
- Series C Savings Notes
- 2-1/2% Bonds of 1965-70
- 2-1/4% Bonds of 1956-59
- 7/8% Certificate of Indebtedness

In view of the fact that many commercial banks accept time deposits and perform in their own communities the same functions as those performed by other saving institutions, the Treasury will permit such commercial banks...
to make a limited investment of their time deposits only in the 2-1/4% and 2-1/2% Bonds under a formula to be announced later.

The 2-1/2% Bond will be dated February 1, 1944, due March 15, 1970, callable March 15, 1965, and will be issued in coupon or registered form at the option of the buyers, in denominations from $500 to $1,000,000. Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to own these bonds until February 1, 1954, except for the limited investment of time deposits.

The 2-1/4% Bond will be dated February 1, 1944, due Sept. 15, 1959, callable Sept. 15, 1956, and will be issued in coupon or registered form at the option of the buyers, in denominations of $500 to $1,000,000. Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to own these bonds until September 15, 1946, except for the limited investment of time deposits.

The 7/8% Certificate of Indebtedness will be dated February 1, 1944, due February 1, 1945, and will be issued in denominations of $1,000 to $1,000,000 and in coupon form only.

The Treasury will request that, until after February 15, 1944, commercial banks not buy the 7/8% Certificates of Indebtedness offered, and that the market not trade in any of the marketable securities offered in the Drive.

To avoid unnecessary transfers of funds from one locality to another, the Treasury requests that all subscriptions by corporations and firms be entered and paid for through the banking institutions where funds are located. This request is made to prevent disturbance to the money market and the banking situation. The Treasury will undertake to see that statistical credit is given to any locality for such subscriptions that the corporations and firms may request; except subscriptions from insurance companies will be credited to the State of the home office as in the past.

In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Treasury requests the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. The Treasury is in favor of the banks making loans to facilitate permanent investment in Government securities provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942.
November 22, 1943.

Mr. Charles B. Dulean, Sr.
Vice President and General Manager
The Hecht Company
Washington, D. C.

Dear Mr. Dulean:

Your Christmas War Bond windows, dramatizing as they do the way our fighting men will be spending their Christmas this year, are a most unusual and valuable contribution not only to the people of Washington, but to all America.

These three-dimensional window displays cannot fail but bring home to all who view them the true spirit of Christmas, 1943 - a spirit of understanding and communion with our boys; a desire to share their Christmas hero on the home front.

From my own personal observation in the actual battle zones, I can attest to the accuracy of the heart-stirring scenes you portray.

It is my hope that just as the Hecht Company helped lead the way with its inspiring presentation of the "Four Freedoms" display which later swept the Nation, so this Christmas War Bond display will serve as a model to retailers all across the land. For I believe, with you, that the best possible expression of the will to share this Christmas with our boys lies in buying and giving the one gift which will most surely and speedily bring these boys home - War Bonds.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.
HEADQUARTERS SEVENTH ARMY
APO # 758
c/o Postmaster, N.Y.C.

22 November, 1943

My dear Mr. Secretary:

In consonance with your wishes we sent you 85 crates of assorted property and a large number of guns, tanks, etc., totaling in all some 20 vehicles.

Owing to conditions beyond our control this shipment did not leave Sicily until about the 14th of November. I therefore fear that it may be a case of "love's labor lost," but in any event we did our best and trust that if you cannot use this stuff this time, it may be of value for a subsequent drive.

With expressions of warm personal regards, I am,

Very respectfully,

G. S. PATTON, JR.,
Lieut. General, U. S. Army,
Commanding.

G. S. PATTON, JR.

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury.
Washington, D. C.
U. S. A.
UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES G-1944
Dated and bearing interest from December 1, 1943

Due December 1, 1944

1943 Department Circular No. 727

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 22, 1943.

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for certificates of indebtedness of the United States, designated 7/8 percent Treasury Certificates of Indebtedness of Series G-1944, in exchange for Treasury Certificates of Indebtedness of Series E-1943, maturing December 1, 1943.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated December 1, 1943, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on June 1 and December 1, 1944. They will mature December 1, 1944, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.
4. Bearer certificates with interest coupons attached will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for certificates allotted hereunder must be made on or before December 1, 1943, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series E-1943, maturing December 1, 1943, which will be accepted at par, and should accompany the subscription.
V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, November 22, 1943.

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HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, Nov. 23, 1943)
TO: Secretary Morgenthau
FROM: Mr. Haas
Subject: The Business Situation, Week ending November 20, 1943.

Summary

Commodity prices: In the face of substantial declines in stock prices since the beginning of the month, commodity prices have failed to show corresponding weakness. Featured by a rise in wheat prices, the Dow-Jones index of commodity futures last week rose to a new high since compilation of the index was begun in 1933.

Wheat flour subsidy: A subsidy to wheat flour millers was announced last week as a measure to relieve the squeeze on millers resulting from the fixed ceilings on flour prices and the rising prices of wheat. Hard wheat prices are approaching parity and the OPA is expected to impose a price ceiling soon at 100 percent of parity.

Heavy hog marketings: Steps were taken last week to prevent the record-breaking spring pig crop from glutting hog markets and further depressing prices. Official price supports were extended to all hog markets, the ration value of pork was reduced, and the ban on farm sales of pork was lifted for 90 days.

Farm land boom: With the rise in farm land values averaging more than 1 percent a month during the past year, the Secretary of Agriculture warned last week that immediate curbs are necessary to prevent the catastrophe which followed the land boom of the first World War. He suggested that a resale capital gains tax be instituted to check the inflation in land values.

Civilian goods: As a result of an easing in steel supplies the Office of Civilian Requirements is projecting programs for the production of electric irons, washing machines and refrigerators for civilian use in 1944. The WPA has lifted all restrictions on the use of wool for clothing, draperies and upholstery fabrics.

Retail trade: Department store sales in the week ended November 13 rose to a new high for the year and were 14 percent above the corresponding week in 1942. Total retail inventories (in dollar value) rose steadily in the third quarter, but at the end of September they were still 15 percent below year-earlier levels.
Stock and commodity prices strengthen

After declining to a new recent low at mid-week, stock prices strengthened noticeably near the end of last week, and at the close on Saturday the Dow-Jones average of 65 stocks was about 1 percent higher than a week earlier. Numerous favorable year-end dividend actions, and the announcement that $13 billions in Army appropriations probably would be saved in the current fiscal year, were reported to be among the factors causing prices to strengthen.

Industrial stock prices in London rallied noticeably last week, thus reducing the net decline since the beginning of the month to very moderate proportions, in contrast to the rather sizable decline that has occurred in New York. (See Chart 1.) This may be due in part to the fact that the New York market has had to absorb some of the usual year-end tax selling, whereas the London market has been free of this influence.

In connection with the weakness in stock prices at New York in the first half of this month, it is interesting to note that corresponding weakness failed to develop in commodity prices, although brief sell-offs did occur in some commodities, such as cotton. Aided by subsidy developments, wheat prices have been strong, and largely as a result of this factor the Dow-Jones index of commodity futures last week rose to a new high since compilation of the index was begun in 1933.

Basic commodity prices slightly higher

The BLS index of 26 basic commodities moved slightly higher last week, but it continues below the peak level reached near the end of September. (See Chart 2.) With hard wheat prices below parity, the announcement of the wheat flour subsidy, together with expectations of a price ceiling on all wheat at 100 percent of parity, tended to buoy wheat prices, which rose 2½ cents in the week. While barley prices were fractionally higher, fears that a price ceiling would be imposed now that the price of barley has reached parity tended to check the advance.

Cotton prices, after declining for 6 consecutive weeks, rose moderately last week. The rise was attributed to the continued heavy entries of cotton into Government loan stocks, Congressional opposition to the subsidy program, and inflationary implications in the prospect of a more general demand for wage increases. In the week ended November 13, Government loans on
this year's cotton crop amounted to 1,523,235 bales, as compared with 794,830 bales at the same time last year.

Lower prices for fruits, vegetables, and hogs caused the BLS all-commodity index to decline slightly in the week ended November 13, but it continues to move in the narrow range of the past four months. The rise of the index during the past year has been only 2.7 percent. The index now stands at 102.8 percent of the 1926 average, which is 37.1 percent above the pre-war level of August 1939.

Subsidy to wheat flour millers announced

Despite severe Congressional opposition to subsidies, a subsidy to wheat flour millers was announced last week by Stabilization Director Vinson. The subsidy payments will be based on the bushels of wheat ground, and will amount to the difference between the level of wheat prices reflected in the wheat flour ceilings, and the market price of wheat but not more than parity. The Defense Supplies Corporation will administer the program, which is expected to cost around $9 millions a month, or about 3 cent per loaf of bread.

This subsidy program was necessitated by the squeeze on flour millers resulting from the fixed ceilings on flour and the rising price of wheat. While the flour ceilings are based on a wheat price at 89 percent of parity, wheat prices have been rising during the past several months until they are now only a few cents under parity. Moreover, it was impossible to place a ceiling on wheat prices until they attained parity. Consequently, the flour business, aside from some Government buying, has approached a standstill in most markets. The alternative to the subsidy was to revise flour ceilings upward to reflect the higher wheat prices, and to permit a rise in bread prices.

With hard wheat prices approaching parity, the OPA is expected to impose a price ceiling soon at 100 percent of parity. Such a ceiling was recently placed on soft wheat when the price rose above parity.

Steps taken to cope with heavy hog marketings

With some hog markets beginning to be glutted, and prices sagging under the heavy marketings of the record-breaking 74 million spring pig crop (see Chart 3), steps were taken last week...
to support prices of hogs and to facilitate their marketing. The measures taken were: (1) extension of support prices, and plans for maintaining these prices, (2) reduction in the ration cost of pork, (3) lifting of the ban on farm sales of pork, (4) issuing of a daily report on hog marketing conditions, and (5) continued deferment of farm workers helping out in packing plants.

Official support prices were extended to all hog markets other than Chicago, where a support price of $13.75 per hundredweight has already been in effect. Prior to November 29 the support prices in the various markets will be the Chicago price adjusted by the normal price differential. After that date the support price in any market will be $1 per hundredweight below the ceilings which have already been fixed by the OPA for the various markets.

Government to purchase surplus pork

The WFA indicated that the Government stands ready to buy all federally-inspected pork and pork products that packers produce in excess of the quantity needed for civilian rationing, and at prices which will enable slaughterers to pay not less than the support prices for the hogs they purchase for slaughter. The WFA has asked the RFC to withhold meat subsidy payments from slaughterers guilty of paying lower than the support price. Government purchases have increased during the past few weeks but they are still considerably below those of May, June, and July of this year. (See Chart 2, lower section.)

The OPA reduced the ration point cost of pork and 100 percent pork sausages by two points. This cut will make some pork items point free, and will reduce the average point value of all pork items by one-third. The reduction in the ration point value is for a limited time only, and will probably be rescinded when the heavy marketings of hogs cease.

As a means of relieving the strain on commercial packers, the WFA lifted for 90 days (until February 17) all restrictions on farm sales of pork and lard. Heretofore farmers have been unable to sell more than 400 pounds of these products in one year. Under the new arrangement it is expected that farmers can supply many of the small towns direct, and thus take care of some of the surplus animals during peak slaughter months. Although persons who purchase meat from farmers are required to surrender ration points for it, it is feared in some quarters that farm sales are likely to lead to widespread violation of the rationing regulations. Moreover, the WFA only reluctantly
lifted the farm sale ban, since farm slaughter will result in the waste of many valuable by-products that can be saved at large slaughter houses.

Finally, Selective Service is reported to have agreed not to reclassify farm help which normally moves to packing plants to assist in slaughtering during the slack season on farms. Many farmhands have been reluctant to change employment for fear of being drafted, while packers have been handicapped by manpower shortages.

Farm land boom developing

The farm land boom is gaining such momentum that immediate curbs are necessary to prevent the catastrophe which followed the land boom of the first World War, Secretary of Agriculture Wickard stated last week. Thus, the index of average value per acre of farm real estate rose 3 percent in the four months ended November 1, according to confidential data of the Bureau of Agricultural Economics, and now stands 25 percent above the pre-war level of March 1, 1939. Moreover, the average rate of increase during the last 12 months has been over 1 percent a month, the highest of record outside of the boom year 1919-20. For the entire war period to date, however, the rise has been somewhat less than during the comparable period of the first World War. (See Chart 4.) Pacific Coast states have had the largest increases in land value in recent months, although farm land values in all sections have risen.

Secretary Wickard advocated the establishment of a "land boom profits tax, or resale capital gains tax" to check the inflation in land values. This special tax would be levied on profits from the resale of property acquired during the national emergency, and would decrease according to the length of time the property was held. It is thought that such a curb would not interfere with or penalize the bona fide farmer.

Other controls that have been suggested to check the rise in farm land values are: (1) restriction of real estate credit, (2) a heavy transfer tax, and (3) ceiling prices on land, with permits required for purchasing.

Coal distribution regulated to safeguard supplies

After falling to the lowest level of the year during the first week in November, soft coal production in the week ended November 13 recovered sharply but was still about 5 percent
below the levels attained in the early part of October before the work stoppages began. (See Chart 5.) Some further improvement in bituminous coal output probably occurred last week, although actual production figures are not yet available. As a result of the repeated work stoppages this year, cumulative soft coal production since the beginning of 1943 has been slightly less than in the corresponding period last year, although the decline has been less than 1 percent.

During the past week an acute shortage of coal was reported to exist in many communities, and in order to cope with the situation more effectively the Solid Fuels Administration tightened up on regulations governing distribution of supplies. Control over the retail distribution of domestic sizes of anthracite coal in the northeastern states was transferred from the OPA to the Solid Fuels Administration. In addition, new soft coal distribution regulations were issued with the objective of diverting a larger part of production to domestic heating purposes. This will be accomplished by cutting down on deliveries to factories, railroads and utilities in cases where inventories have risen above stipulated levels.

In the face of the tight supply situation in coal, some encouragement can be derived from the continuing gradual improvement in East Coast civilian oil supplies. The Petroleum Administrator last week stated that there was enough heating oil in the area to meet current rationed demands, and that the "Big Inch" pipeline was rapidly reaching capacity operation. Despite the substantial improvement from the low point of last May, supplies are still much below the 1940-41 "normal". Thus, light fuel oil stocks in the week ended November 13 were slightly less than 60 percent of normal while gasoline supplies were less than 37 percent of normal.

Wage drive may necessitate rise in steel prices

Due reportedly to labor troubles, shut-downs for repairs and lingering effects of the coal strike, steel operations last week were scheduled to decline fractionally to 97.8 percent of capacity, which is the lowest point touched since the second week in August. However, some improvement in operations seems likely during the current week. Moreover, the slight loss in production which occurred near the end of last month did not prevent the industry from breaking previous records in October, with total steel output for the month exceeding the previous record high by more than 100,000 tons.
Production problems are apparently of less concern to the steel industry at present than the prospect of further increases in operating costs, which may necessitate an upward revision of steel prices. The new wage agreement in the coal mining industry has increased production costs, and in this connection it is reported that Secretary Ickes has protested to Stabilization Director Vinson over the inadequacy of coal price increases proposed by OPA. Moreover, coal operators have threatened to hold up further disbursements for mine operations unless assurance is given that the OPA will grant an adequate increase in coal prices retroactive to November 1. Along with the impending rise in coal prices, some of the smaller steel producers are confronted with a further increase in costs as a result of a recent OPA authorization of a moderate rise in iron ore prices.

In addition, steel companies soon will be faced with demands for increased wages, as the United Steel Workers Union has already announced that it will formally open a drive for higher wages around December 1. Trade circles contend that higher wage rates superimposed upon other recent increases in operating costs will necessitate an upward revision in steel price ceilings.

Civilian goods production outlook brightens

Although steel requirements of the various claimant agencies for the first quarter of 1944 are still in excess of supply, trade reports indicate a rather definite easing in the general steel supply situation. Concrete evidence of this trend appeared during the past week when the Office of Civilian Requirements revealed that programs for the production of electric irons, washing machines and electric refrigerators for civilian use were under way as a result of the easing in steel supplies. A program for the production of 2 million electric irons is expected to be the first to get under way, as dealer stocks of irons are non-existent and the OCR places irons at the head of the list of electric appliances most needed by civilians. In addition to the anticipated partial resumption of washing machine and refrigerator production later in the year, aluminum kitchen ware is soon to be available for civilians while output of portable lamps is slated for an increase.

The outlook for increased civilian supplies of soft goods is clouded by expected needs in connection with European
rehabilitation. However, an encouraging development in this connection occurred near the end of last week when the WPB lifted all restrictions on the use of wool for clothing, draperies and upholstery fabrics.

Retail inventories increased in September quarter

Despite the heavy volume of sales and the restrictions imposed on civilian goods production, total retail business inventories (in dollar value) rose steadily in the third quarter of this year, and at the end of the period stood at the highest level since last December. Merchants have been expecting earlier than usual Christmas shopping, and this factor together with the relative availability of nondurable goods resulted in the expansion of inventories during the period. The value of total retail inventories at the end of each quarter since the war-time peak was reached in the second quarter of 1942 has fluctuated as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1942</td>
<td>$7,496,000,000</td>
</tr>
<tr>
<td>September 30, 1942</td>
<td>7,350,000,000</td>
</tr>
<tr>
<td>December 31, 1942</td>
<td>6,384,000,000</td>
</tr>
<tr>
<td>March 31, 1943</td>
<td>6,106,000,000</td>
</tr>
<tr>
<td>June 30, 1943</td>
<td>5,829,000,000</td>
</tr>
<tr>
<td>September 30, 1943</td>
<td>6,248,000,000</td>
</tr>
</tbody>
</table>

At recent levels retail inventories on the average represented about one and one-half months' sales whereas in June 1942 inventories were equivalent to about two and one-half months' sales.

Department store sales at new peak

Stimulated by earlier than usual Christmas shopping, department store sales showed a further rise to a new high for the year in the week ended November 13. The gain over last year's levels widened to 14 percent, from 10 percent in the week ended November 6. All districts shared in the year-to-year gain, although the increase varied from only 1 percent in the Boston district to 44 percent in the Dallas district.
MOVEMENT OF BASIC COMMODITY PRICES

PERCENTAGE CHANGE DEC. 6, 1941 TO NOV. 12, AND NOV. 19, 1943

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

*20 Controlled & Uncontrolled prices to June 26, 1942

Regraded Unclassified
FARM REAL ESTATE VALUES IN TWO WORLD WARS

World War I, 1914=100; World War II, 1939=100

[Chart showing trends in farm real estate values during World War I and World War II.]
BITUMINOUS COAL PRODUCTION

SHORT TONS
MILLIONS

0 0.4 0.8 1.2 1.6 2.0 2.4

JAN.  MAR.  MAY  JULY  SEPT.  NOV.

BIT. COAL COMM.

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

C-484
November 22, 1945.

Dear Anna:

It was fine to hear that you had just had a long letter from John, and I hope that everything is going well with him.

I am delighted to send you, at your request, a copy of the letter which Colonel Riou wrote me in connection with the German evacuation of Naples. The name is as you remember it, and it is given in full at the end of his letter.

Elinor has had a severe cold, but nothing like a return of her difficulties of last spring and summer. I suppose it will be quite awhile before her strength is built up again, but she is trying to take good care of herself, and we hope that she will soon be entirely well again. She joins me in sending love and best wishes to you.

Sincerely,

(Signed) Henry

Mrs. John Boettiger,
Associate Editor,
Seattle Post-Intelligencer,
Seattle, Washington.

Enclosure: copy of letter from Cal. "Grass"
Hon. Henry Morgenthau,  
Secretary of the Treasury,  
Care of Lieut. General Mark W. Clark, U.S.A.,  
Headquarters, Fifth Army,  
F A F L E S.

My dear Mr. Secretary:

In compliance with your request I give you herewith a brief report of acts of German cruelty and wanton destruction committed in Naples, chiefly during the three weeks before our capture of the city. This period is called "The Reign of Terror" by Neapolitans. I am, of course, not giving any instances of damage to the city or to individuals which took place as a result of acts of war (bombings, etc.). The things that I list were unnecessary from any military point of view.

**OFFENSES AGAINST THE CITY**  
**AS A WHOLE**

1. Water Supply: When the Fifth Army reached Naples we found that there was an almost total failure of the water supply. People were carrying water in pails, jugs, bottles and every type of container. There was a small trickle of water from some of the hydrants but many persons standing in line were unable to receive enough to quench their thirst. Naples had been famous for an abundant supply of pure water. The Germans had blown up the main aqueduct in seven places and all of the reservoirs save one had been drained. By chance an Italian had saved one reservoir by cutting the fuse after it had been lighted by departing Germans. Allied Military Government took charge of the remaining reservoirs and by rationing made the supply go as far as possible. The hardship on the people of Naples, particularly those unable to go for water was great and there was much suffering, until the supply was rationed and until we established water distribution points for water distilled from the bay. The Germans were well aware that there was ample facility for our bringing in water for the troops, as was done in the desert campaign, so that this destruction of the city supply was an act of cruelty against civilians, young and old. The enemy likewise destroyed the pumping plants, thereby making it impossible to raise the water, had any been available, to the higher parts of the city. The water mains in many parts of Naples were deliberately cut.
2. Sewage System: The pumping facilities of the sewage disposal system of Naples were destroyed. Thus, even had there been enough water to enable sewers to function, they would have been unable to do so because much of the Neapolitan sewage disposal depends not on gravity but on a series of pumps. The city is built on volcanic rock so that, even had there been space available for them, it was all but impracticable to dig latrines. The danger of epidemics of intestinal diseases, such as typhoid fever and dysentery, was obviously very great particularly at this season of the year.

3. Electric Light and Power Systems: Naples was in darkness when we took over. The Germans had destroyed both the generators of the current and likewise the transformers. The Italian metropolis depends largely on hydro-electric power not only for lighting, but for the water and sewage pumps, the mills for grinding wheat, the newspaper presses, the heating of buildings, cooking, and indeed practically all power machines. This was one of the most serious conditions we had to meet. By hard work by our engineers the current is now restored, in part, though we have had to follow a certain priority in allotting it at first.

4. Transportation System: The street car system was wholly out of commission both because the electric current had been cut off (see above) and because the Germans carried away or destroyed the greater part of the rolling stock. Buses also were taken away. A large number of them were found to the north of the city where the enemy, unable to carry them further, had burned them. There are of course no taxicabs other than a few old wrecks, and only a few horse-drawn vehicles in the city. People who are not physically strong enough to walk from one locality to another are practically prisoners. This has seriously affected the earning capacity of many. The Germans carried away every automobile, both passenger and truck, that they could find. In some instances they took only the tires and destroyed or abandoned the bodies of the cars. Ambulances and fire-fighting vehicles were not spared.

5. Communication Systems: The telegraph lines were put out of commission. The main telephone exchange was blown up. Fortunately the Germans overlooked two small subsidiary exchanges. By splicing the lines we were able to give the military authorities a limited number of lines within ten days. However business firms and private families are still without telephones. The Post Office was looted and destroyed (see below).
6. Demolition of Hotels: The group of magnificent hotels along the Via Partenope, facing Vesuvius, used to be one of the outstanding groups of such institutions in the world. Such names as the Excelsior, Vesuvio, Santa Lucia, Royal, etc., are known to travelers everywhere. These buildings, without exception, were blown up and fire set to what remained. They cannot be repaired. The only first-class hotel left was the Park Hotel (Parkers Hotel), which was mined (see below).

7. Blocking of Tunnels: There are a number of tunnels in Naples built to give ready access from one quarter to another at a saving of much hill climbing. These were blown up.

8. Bombing of Public Buildings: Besides the bombing of various public buildings for their immediate destruction, the Germans showed their usual cunning in setting time bombs so as to explode after our arrival, thereby both destroying property and causing human death and suffering. A few instances will illustrate. On October 7, at 2:30 P.M., a violent explosion, caused by a time bomb hidden in the corner of the Post Office, destroyed the end of that building and tore an enormous hole in the street. There was considerable loss of life, chiefly civilians. In all 30 people were killed, 84 were severely injured (hospitalized), and 25 were slightly injured. I was in my office across the street when the explosion occurred. I went to the scene at once and helped give first aid to the wounded. Many were women and children. In the Via Partenope a time bomb in the street exploded on October 3rd, at about dusk. Fortunately nobody was hurt though a few minutes before a group of workmen had passed over the spot. On October 11th, at 8:55 A.M., a time bomb set in the Italian Artillery Barracks, occupied by our 307th and 36th Engineers, exploded. Some 24 of our men were killed and 47 wounded. This cannot be justified as an act against our armed forces, for it was only by chance that we were using the barracks for soldiers. It had been previously used by Italian families. Every effort has been made to locate unexploded bombs and with much success. A time bomb and about 1500 pounds of TNT were removed from the basement of the Park Hotel on October 2nd, before explosion occurred. On October 16th, an unexploded time bomb and 1600 pounds of TNT were removed from the building housing a part of the 82nd Airborne Division. Ordnance officers estimated that the bomb had about 3 days and 17 hours more to run, on the timing device, before explosion.

9. Opening of Prisons: Before their departure, the Germans released all prisoners in the jails and prisons of Naples, of which there are about a dozen, one of them the largest in Italy. While we have been able to rearrest many of the criminals, this act of the Germans has been productive of danger and loss of morale to the civil population.
10. Demolition of Flour Mills: Naples, like most Italian cities, grinds its wheat a little at a time, rather than converting a whole crop to flour at once. Thus flour mills are an essential feature of the city's economic and welfare system. All of the large mills were wrecked by the Germans.

11. Destruction of the University of Naples and of its Famous Libraries: The University of Naples is one of the oldest and most famous in existence. The library of the Royal Society of Naples, one of the great learned societies of the world, was housed therein. It was put to the torch on 12 September, a little more than a fortnight before we took the city. We are collecting affidavits of the Rector and many faculty members and students. They agree that at about 3:00 P.M., a party of some 600 Germans entered the University and announced that they were about to burn it, in retaliation for the fighting of Neapolitans, including students, against their troops. Cans of gasoline were brought in and the walls, furniture, and books covered with it, and the fire was started. The firemen arrived soon thereafter but the officer in charge refused to allow them to enter. Two Carabinieri (military police) who tried to stop the destruction were taken to the front entrance and shot. Many of the nearby houses were robbed, not only those of professors but of others. Several witnesses agree that the notorious Col. Scholl, Commander of German troops garrisoned in Naples, arrived in person when the work was finished and read a proclamation in German and Italian announcing that the university had been wrecked as a punishment to Naples. When I first visited the ruined buildings the ashes of the Library of the Royal Society were still warm and the pool of blood on the front steps, where the shooting of the Carabinieri was reported to have occurred, was still evident.

12. Robbing of Hospitals: Directors of the several hospitals of Naples agree that the Germans before departure, carried off all of the hospital equipment and supplies that they could find. Some of these institutions had practically no medicines or dressings when we arrived. Even establishments of the Italian Red Cross were not spared.

OFFENSES AGAINST INDIVIDUALS

In a report of this kind, prepared on a few hours notice, it is not possible to give a detailed account of offenses against individuals. That must wait until our final report on German misdeeds in Naples is completed. The following incidents are taken at random from a mass of documentary evidence thus far gathered.
There is general agreement that Germans collectively and individually robbed shops, homes and even people in the streets. This varied all the way from ordinary highwayman's technique to burglary. Many individuals, not excepting those in high position, were carried off as hostages. Among such hostages were the Bishop of Cava dei Terreni and the Abbot of Badia at Corpo di Cava. Many people were beaten to make them disclose the whereabouts of supposed valuables. Women as well as men were subjected to such treatment. There were many murders, some of a sadistic nature, with mutilation of dead bodies, particularly those of women. One deposition says that the eye witness saw a man buried in a grave he had been forced to dig himself, being bayonetted before being thrown in. Often the populace were told to help themselves after the Germans had begun looting. Many of the more intelligent witnesses state that the killing of Italian civilians was not merely acts of individual German soldiers, but often in response to direct orders of their officers, all as a part of a campaign to terrorize the people. "Booby traps" were placed not only in places where they might be set off by our troops, but where children and other civilians would find them. Many such people have been mutilated or killed. There was much wanton destruction of property, frequently associated with physical harm to people. Furniture not desired was smashed or burned, live-stock killed, supplies of food destroyed or fouled so that it could not be used. Particularly cruel were the measures against those Italians between 18 and 35 who failed to respond to the German proclamation of September 22nd, requiring them to report for forced labor with the German Army.

I wish that there were time to give you more details and to complete the report of the first two weeks of the work of the Allied Military Government of this great city. I should like to give you further particulars beyond what I could tell you in a few minutes last night. I think that I may say, however, that we have achieved our dual goal. First that of keeping the burdens of governing this war torn city from the shoulders of our military Commander, whose entire attention is needed for the leading of a great army. Secondly, we have been able to keep the city running in something like a normal fashion, despite the handicaps imposed by war and by the German studied policy of destruction.

May I wish you a safe journey home and once more thank you for your interest in what we are doing.

Respectfully yours,

(S) Edgar Erskine Hume

EDGAR ERSKINE HUME,
Colonel, General Staff Corps,
United States Army,
Chief of Military Government.
Dear Henry:

I got a wonderful long letter from John today in which he asked me to ask you to send me a copy of the letter his commanding officer gave you describing conditions in Naples. I gather that his immediate commanding officer is Colonel Hume. Is this correct? I would certainly appreciate it if you could let me read the letter.

Love to you and Elinor.

Affectionately,

= Anna

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

P. S. — A letter from Max says Elinor feels miserable again. I'm so very sorry & do hope she'll soon get over this long spell of ill health. Seems to me there's enough trouble in the world today without having personal troubles added!
TO
Secretary Morgenthau

FROM
Mr. O'Connell

November 22, 1943

This morning's Washington Post carries an editorial on the census the Treasury Department is taking of American investments in foreign countries.

The editorial, a copy of which is attached, is approving in tone. It recites some of the advantages of such a census that the Department has pointed out from time to time, and goes on to suggest that "the wartime census of overseas holdings will be continued and kept up to date when the war is over."

Attachment
Overseas Investments

Since last June the Treasury has been acquiring information in regard to the investments of Americans and alien residents in foreign countries. The returns tabulated to date show holdings of approximately three billion dollars, but the final total will probably amount to between 10 and 12 billions. Of the investments so far reported 40 per cent are Canadian, while assets held in Germany rank second in value.

Obviously a large proportion of the securities and tangible possessions representing claims on Axis-dominated countries will eventually have to be written off as total losses. Indeed, some of these holdings had little or no value before war was declared. Nevertheless, the assembled data will be very valuable in future negotiations looking toward restitution of property and the establishment of claims for losses suffered.

Furthermore, there are numerous ways in which the data may prove useful to the Government while the war is in progress. The military and occupational authorities may, for example, want to get in touch with individuals who have knowledge of conditions in occupied territories. In carrying on discussions with neutral countries in regard to wartime business, financial and economic matters, it is also highly important to know to what extent American investors would be affected by any agreements that might be made. The Army, too, might turn American-owned property in occupied countries to good use in producing war materials, buying war supplies, or developing sources of raw material.

When the war is over, problems of exchange control, questions as to the amount of private loans that can safely be made to foreign countries, and related matters can be handled much more intelligently if we have advance knowledge of the volume and value of amounts already due us on investment account. We have always been handicapped by lack of precise knowledge of the extent and character of foreign investments. Hence, it is to be hoped that the wartime census of overseas holdings will be continued and kept up to date when the war is over.
November 22, 1943.

Dear Mr. Foyner:

In the absence of the Secretary, I am acknowledging your letter of November 19, which encloses a copy of the fourth monthly report of the progress under the Third Soviet Protocol. I shall be glad to bring this to the Secretary’s attention and know that he will particularly note the figures in regard to the progress made during October, and during the four preceding months.

Sincerely yours,

Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. E. A. Foyner,
Director, Foreign Division,
War Production Board,
Washington, D. C.
November 18, 1943

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

Dear Mr. Morgenthau:

I am enclosing a copy of the fourth monthly report of the progress under the Third Soviet Protocol.

I wish to call your attention to the tabulation showing the progress made during October and during the four months ending October 31 towards the fulfillment of the Third Protocol materials and equipment production programs.

Sincerely yours,

[Signature]

E. A. Peyser
Director, Foreign Division

attachment
WAR PRODUCTION BOARD
WASHINGTON, D. C.

November 16, 1943

IN REPLY REFER TO:

My dear Mr. President:

Attached hereto is a tabulation showing the progress made during October, and during the four months ending October 31, towards fulfillment of Third Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

A noteworthy recent development has been increased, or accelerated, shipments of certain critical raw materials. To meet requirements resulting from expansion of Soviet alloy steel production, appreciable quantities of ferrotungsten, ferrovanadium, and ferromolybdenum, which previously were not included in the Russian Aid Program, have been authorized. For the same purpose, arrangements have been made for advance shipment of 11,200 short tons of metallic nickel. Because nickel is still in short supply in the United States and Canada, this shipment is being made from United Kingdom stocks. In the case of aluminum, information has been received that production of planes by the USSR can be increased in direct proportion to an increase in supplies of aluminum from the United States. It has been decided, therefore, to maintain through the first quarter of 1944 aluminum shipments at the rate of 6,720 short tons per month from the United States and Canada jointly, despite the very large over- shipments authorized for the third and fourth quarters, 1943. By the end of March, more than 75,000 short tons of fabricated and ingot aluminum are scheduled to have been made available under the Third Protocol. This compares with a United States-Canadian commitment for that period of 40,330 S.T. In addition, 2,240 short tons of secondary aluminum have been supplied from United Kingdom stocks.

With reference to industrial equipment, the War Production Board is currently in process of attempting to schedule orders authorized, but not yet placed under the Third Protocol. As pointed out previously, in the case of a number of industrial equipment categories, the USSR delayed several months before presenting necessary requisitions. This has resulted in difficulties in arranging for completion of the orders in question before June 30, 1944. In some instances, notably pumps and cranes, it seems that these difficulties will be so great that it will not be possible to schedule production of the full quantities offered under the Protocol. A portion of several Third Protocol offers will consequently have to be cancelled or taken up with substitute equipment.
The War Production Board is also currently engaged in surveying production possibilities in regard to equipment programs which the USSR has requested for completion after June 30, 1944, i.e., during the Fourth Protocol period. It is felt that advance planning in the case of these programs is very important in that it makes possible working the programs into production lines, and thus enables their fulfilment without undue interference with urgent domestic programs. Such advance planning also insures that there will be no interruption in the flow of equipment to the USSR during the first part of the next Protocol period.

The stocks situation continues to improve. On the basis of Treasury and Ordnance data, stocks of both materials and industrial equipment held in warehouses and depots on USSR account declined during the past month. Particularly noteworthy is the fact that warehouse stocks of steel dropped from 271,000 tons at the end of September to 241,000 tons at the end of October. I am attaching a brief table showing in greater detail the stocks situation as of October 31.

Respectfully yours,

/s/
Donald M. Nelson

The President
The White House
Washington, D. C.

Attachments
<table>
<thead>
<tr>
<th>Item</th>
<th>As of June 30</th>
<th>As of Sept. 30</th>
<th>As of Oct. 31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Materials</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aluminum</td>
<td>274</td>
<td>377</td>
<td>601</td>
</tr>
<tr>
<td>Nickel</td>
<td>47</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Molybdenum</td>
<td>0</td>
<td>0</td>
<td>744</td>
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<tr>
<td>Copper base alloys</td>
<td>17,588</td>
<td>9,490</td>
<td>8,599</td>
</tr>
<tr>
<td>Magnesium</td>
<td>154</td>
<td>154</td>
<td>0</td>
</tr>
<tr>
<td>Zinc</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Copper Products</td>
<td>3,482</td>
<td>3,089</td>
<td>3,071</td>
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<tr>
<td>Ferro-Alloys</td>
<td>4,362</td>
<td>4,599</td>
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<tr>
<td>Steel</td>
<td>408,325</td>
<td>271,775</td>
<td>241,142</td>
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<tr>
<td>Copper Wire and Cable</td>
<td>43,323</td>
<td>58,241</td>
<td>58,787</td>
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<td>Paper Products</td>
<td>2,471</td>
<td>3,439</td>
<td>2,910</td>
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<td>Wire Cloth</td>
<td>81</td>
<td>107</td>
<td>71</td>
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<td>Other Materials</td>
<td>6,522</td>
<td>6,032</td>
<td>4,488</td>
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<td><strong>Total Materials (Excluding Chemicals)</strong></td>
<td>486,629</td>
<td>357,263</td>
<td>323,147</td>
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<tr>
<td><strong>II. Industrial Equipment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine Tools and Forging</td>
<td>26,960 a/</td>
<td>58,581 a/</td>
<td>55,686 a/</td>
</tr>
<tr>
<td>Presses &amp; Hammers</td>
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<td></td>
<td></td>
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<tr>
<td>Power Equipment</td>
<td>9,773</td>
<td>18,804</td>
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<td>Industrial Boilers</td>
<td>6,309</td>
<td>12,072</td>
<td>14,590</td>
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<tr>
<td>Misc. Electrical Equip.</td>
<td>4,183</td>
<td>6,558</td>
<td>7,331</td>
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<tr>
<td>Electric Furnaces</td>
<td>2,013</td>
<td>5,388</td>
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<td>Oil Refinery Equipment</td>
<td>12,259</td>
<td>1,798</td>
<td>4,348</td>
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<tr>
<td>Tire Manufacturing Plant</td>
<td>2,244</td>
<td>888</td>
<td>1,553</td>
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<tr>
<td>Aluminum Mill</td>
<td>331</td>
<td>442</td>
<td>980</td>
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<td>Various Indust. Machinery, R.E.S.</td>
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<td>55,445</td>
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<td>Bearings</td>
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<td>333</td>
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<tr>
<td>Graphite Electrodes &amp; Related Products</td>
<td>861</td>
<td>1,137</td>
<td>1,015</td>
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</tbody>
</table>
## II. Industrial Equipment (Cont'd)

<table>
<thead>
<tr>
<th>Item</th>
<th>As of June 30</th>
<th>As of Sept. 30</th>
<th>As of Oct. 31</th>
</tr>
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<tbody>
<tr>
<td>Abrasives</td>
<td>972</td>
<td>488</td>
<td>590</td>
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<tr>
<td>Instruments &amp; Laboratory Equip.</td>
<td>701</td>
<td>1,799</td>
<td>869</td>
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<td>Misc. (Incl. Treas. Procured Machine Tools)</td>
<td>734</td>
<td>1,117</td>
<td>2,146</td>
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<tr>
<td>Total Indust. Equip.</td>
<td>96,223</td>
<td>164,850</td>
<td>152,172</td>
</tr>
<tr>
<td>Tires and Tubes</td>
<td>4,576</td>
<td>725</td>
<td>2,470</td>
</tr>
<tr>
<td>Grand Total Excl. Chemicals</td>
<td>587,427</td>
<td>522,838</td>
<td>477,789</td>
</tr>
</tbody>
</table>

X - Less than 1 S.T.
a/ Excludes materials and equipment in transit or at seaboard.
b/ In transit
c/ Stocks as of June 20, 1943
d/ Stocks as of Sept. 20, 1943
e/ Stocks as of Oct. 20, 1943
<table>
<thead>
<tr>
<th>Item Description</th>
<th>Unit</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Made Available at Mill in U.S.R.A.</th>
<th>Percent of 3rd Protocol Production Program Complated as of Nov. 1, 1963</th>
<th>Ratio of Actual Deliveries to Prot. Sch. (No. of Prot. Sch. x 100)</th>
<th>Balance to be Produced as of Nov. 1, 1963</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Ferrous Metals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Aluminum (Ingot and Fabricated)</td>
<td>R.T.</td>
<td>35,760</td>
<td>5,500</td>
<td>29,260</td>
<td>83</td>
<td>252</td>
</tr>
<tr>
<td>4 Nickel</td>
<td>R.T.</td>
<td>3,600</td>
<td>300</td>
<td>1,200</td>
<td>33</td>
<td>100</td>
</tr>
<tr>
<td>5 Nickel in Wael Scrap</td>
<td>R.T.</td>
<td>2,900</td>
<td>177</td>
<td>807</td>
<td>33</td>
<td>100</td>
</tr>
<tr>
<td>6 Copper, Electrolytic</td>
<td>R.T.</td>
<td>(123,300)</td>
<td>(9,350)</td>
<td>(89,900)</td>
<td>(94)</td>
<td>(75)</td>
</tr>
</tbody>
</table>

Aluminum shipments to date consist of 805 R.T. rods; 344 R.T. hard tubing; 3,055 R.T. hard sheet; 16,782 R.T. primary ingots; and 5,000 R.T. secondary ingot.

A total of 600 R.T. of nickel in nickel scrap was offered, but except for 50 R.T. for experimental purposes, the U.S.S.R. has not taken advantage of the offer.

Contained nickel deliveries to date consist of 950 R.T. in steel; 140 R.T. in silchrome wire and strip; 140 R.T. in copper-nickel strip; and 20 R.T. in other nickel products.

Electrolytic copper figures refer to copper contained in various materials requiring copper which are being supplied the U.S.S.R. Deliveries to date include 17,650 R.T. contained in copper base alloys; 3,055 R.T. contained in copper goods and tubes; 95 R.T. contained in brass; and 7,057 R.T. contained in wire and rail products.
### NON-FERROUS METALS (Continued)

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Production at Mill in U.S.A.</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Percent of Actual Deliveries to Prot. Program as of Nov. 1, 1945 (Prot.Sched.*100)</th>
<th>Balance to be Produced as of Nov. 1, 1945</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 Copper Base Alloys</td>
<td>S.T.</td>
<td>207,500</td>
<td>9,594</td>
<td>25,663</td>
<td>100</td>
<td>11,557</td>
</tr>
<tr>
<td>9 Nickel</td>
<td>S.T.</td>
<td>14,400</td>
<td>1,120</td>
<td>4,400</td>
<td>100</td>
<td>6,260</td>
</tr>
<tr>
<td>11 Copper Goods and Tubes</td>
<td>S.T.</td>
<td>35,000</td>
<td>3,676</td>
<td>25</td>
<td>76</td>
<td>11,298</td>
</tr>
<tr>
<td>29 Special Non-Ferrous Alloy Wires</td>
<td>S.T.</td>
<td>73</td>
<td>15</td>
<td>42</td>
<td>56</td>
<td>103</td>
</tr>
<tr>
<td>30 Nichrome Wire</td>
<td>S.T.</td>
<td>532</td>
<td>14</td>
<td>183</td>
<td>34</td>
<td>103</td>
</tr>
<tr>
<td>96 Cobalt</td>
<td>S.T.</td>
<td>80.5</td>
<td>80.5</td>
<td>100</td>
<td>150</td>
<td>0</td>
</tr>
<tr>
<td>Total Non-Ferrous Metals (excluding item 6, Copper, Electrolytic)</td>
<td>S.T.</td>
<td>125,193.5</td>
<td>22,810.5</td>
<td>68,918.5</td>
<td>37</td>
<td>112</td>
</tr>
<tr>
<td>Item</td>
<td>Unit</td>
<td>3rd Protocol Production at Mill in U.S.A. Oct. 1, 1943</td>
<td>Made Available at Mill in U.S.A. July 1, 1943</td>
<td>Percent of 3rd Protocol Program Delivered to Proj. Schedule as of Nov. 1, 1943</td>
<td>Ratio of 3rd Protocol Production to Proj. Schedule = 100</td>
<td>Balance to be Produced as of Nov. 1, 1943</td>
</tr>
<tr>
<td>--------------------</td>
<td>------</td>
<td>-----------------------------------------------------</td>
<td>------------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Ferro-Alloys</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Ferroclonites</td>
<td>S.T.</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Ferrochroms</td>
<td>S.T.</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Ferro-Alloys</td>
<td>S.T.</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alloy Steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Polished Drill Rods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B High Speed</td>
<td>S.T.</td>
<td>95</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>C Other Alloy</td>
<td>S.T.</td>
<td>65</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>170</td>
</tr>
<tr>
<td>17 High Speed Tool Steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Tool Steel</td>
<td>S.T.</td>
<td>672</td>
<td>73</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>C Alloy 1214</td>
<td>S.T.</td>
<td>672</td>
<td>68</td>
<td>0</td>
<td>0</td>
<td>170</td>
</tr>
<tr>
<td>D Other Alloys</td>
<td>S.T.</td>
<td>6,450</td>
<td>662</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>19 Cold Finished Bars</td>
<td>S.T.</td>
<td>11,000</td>
<td>1,193</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>20 H.V. Alloy Bars and Billets</td>
<td>S.T.</td>
<td>67,267</td>
<td>6,045</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>Stainless Steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Sheets and Strips</td>
<td>S.T.</td>
<td>3,007</td>
<td>593</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>C Bars</td>
<td>S.T.</td>
<td>756</td>
<td>99</td>
<td>0</td>
<td>0</td>
<td>170</td>
</tr>
<tr>
<td>25 Steel Wire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A High Speed</td>
<td>S.T.</td>
<td>1364</td>
<td>1364</td>
<td>0</td>
<td>0</td>
<td>133</td>
</tr>
<tr>
<td>B Other Alloy</td>
<td>S.T.</td>
<td>3,306</td>
<td>3,306</td>
<td>0</td>
<td>0</td>
<td>170</td>
</tr>
</tbody>
</table>

The U.S. has offered to supply 76% S.T. of ferroclonites and 54% S.T. of ferrochrom per month. But by agreement this offer is to become effective only when stocks held on U.S.R.S.R. account are reduced to five months' requirements. At present, stocks total more than five months' requirements and no lifting will currently take place. In consequence, no allocation was made in October and none is planned for the immediate future. However, at the request of the U.S.R.S.R., supply of 1,120 S.T. of ferroaluminum, 220 S.T. of ferrosilicon, and 860 S.T. of ferromanganese has been authorized as substitutions for shipments of ferroclonites and ferrochroms.

The revision in the Third Protocol alloy production program made necessary by changes in Soviet steel requirements has been completed. The new program is as is shown in column one.
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>3rd Prot. Unit</th>
<th>3rd Prot. Production at Mill in U.S.A.</th>
<th>3rd Prot. Unit</th>
<th>3rd Prot. Production at Mill in U.S.A.</th>
<th>Percent of 3rd Prot. Program Delivered as of Nov. 1, 1953</th>
<th>Balance to be Produced as of Nov. 1, 1953</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLOY STEEL (Continued)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td></td>
<td></td>
<td>Steel Alloy Tubing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td></td>
<td></td>
<td>Stainless Steel Wire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td></td>
<td></td>
<td>Special Alloy Wire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Alloy Steel</td>
<td>S.T.</td>
<td>113,259</td>
<td>12,606</td>
<td>39,996</td>
<td>35</td>
<td>106</td>
<td>73,263</td>
<td>See preceding page for comments,</td>
</tr>
<tr>
<td>CARRY OVER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>103-5</td>
<td></td>
<td></td>
<td>Rails, Accessories and Other Railway Material</td>
<td>S.T.</td>
<td>20,054</td>
<td>63,600</td>
<td>37</td>
<td>193</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td>Copper Clad Strip (Aluminum)</td>
<td>S.T.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>16A</td>
<td></td>
<td></td>
<td>Steel Carbon Tool Steel and Drill Rod</td>
<td>S.T.</td>
<td>750</td>
<td>2,084</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>15D</td>
<td></td>
<td></td>
<td>Steel Carbon Nutt Core</td>
<td>S.T.</td>
<td>2,156</td>
<td>5,046</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>26</td>
<td></td>
<td></td>
<td>Timplate</td>
<td>S.T.</td>
<td>0</td>
<td>14,162</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Carbon Steel</td>
<td>S.T.</td>
<td>31,210</td>
<td>127,703</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>A total of 12,000 S.T. was offered, but the offer was conditional upon stocks being reduced to a reasonable level. Stocks have continued excessive and the offer is considered imperative except as far as shipments have been made against requisitions carried over from the Second Protocol period.</td>
</tr>
<tr>
<td>Total Carbon Steel</td>
<td>S.T.</td>
<td>345,397</td>
<td>31,210</td>
<td>127,703</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td></td>
<td></td>
<td>Phenol</td>
<td>S.T.</td>
<td>1,796</td>
<td>1,796</td>
<td>100</td>
<td>303</td>
</tr>
</tbody>
</table>

Regraded Unclassified
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Methyl Glycol</td>
<td>R.T.</td>
<td>275</td>
<td>0</td>
<td>275</td>
<td>100</td>
<td>303</td>
</tr>
<tr>
<td>59</td>
<td>Methanol</td>
<td>R.T.</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>66</td>
<td>Urotropine</td>
<td>R.T.</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>61A</td>
<td>Glycerine</td>
<td>R.T.</td>
<td>6,190</td>
<td>5,332</td>
<td>7,189</td>
<td>107</td>
<td>304</td>
</tr>
<tr>
<td>61C</td>
<td>Castor Soda</td>
<td>R.T.</td>
<td>40,320</td>
<td>2,879</td>
<td>16,016</td>
<td>40</td>
<td>122</td>
</tr>
<tr>
<td>36A</td>
<td>Ethyl Alcohol</td>
<td>R.T.</td>
<td>107,520</td>
<td>3,265</td>
<td>39,999</td>
<td>83</td>
<td>130</td>
</tr>
<tr>
<td>61E</td>
<td>Acetone</td>
<td>R.T.</td>
<td>5,137</td>
<td>0</td>
<td>657</td>
<td>13</td>
<td>39</td>
</tr>
</tbody>
</table>

A total of 3,350 R.T. was offered, but the offer was conditional upon stocks being reduced to a reasonable level. Stocks have continued excessive and the offer is considered imperative except insofar as shipments have been made against requisitions carried over from the Second Protocol period.

A total of 6,720 R.T. was offered, but the offer was conditional upon stocks being reduced to a reasonable level. Stocks have continued excessive and the offer is considered imperative.

A total of 6,720 R.T. was offered, but the offer was conditional upon stocks being reduced to a reasonable level. Stocks have continued excessive and the offer is considered imperative.

The October shipment was made from the U.S. or U.S. account.

The production program has been adjusted to take into account the failure of Soviet representatives to requisition acetone for delivery during the first four months of the Third Protocol period. Except for the 657 R.T. delivered in July against an old requisition, the obligation to supply 2,860 R.T. between July 1 and October 31 is considered cancelled. During the remainder of the Protocol period production is scheduled to average 565 R.T. per month.
<table>
<thead>
<tr>
<th>Protocol Item</th>
<th>Item</th>
<th>Unit</th>
<th>3rd Protocol</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Made Available at Mill in U.S.A.</th>
<th>Percent of 3rd Prot. Program Completed as of Nov. 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Sched. as of Nov. 1, 1943</th>
<th>Balance to be Produced as of Nov. 1, 1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61A Other Chemicals</td>
<td></td>
<td>S.T.</td>
<td>12,096</td>
<td>1,690</td>
<td>42</td>
<td>10,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Chemicals</td>
<td></td>
<td>S.T.</td>
<td>173,864</td>
<td>12,289</td>
<td>42</td>
<td>100,362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marine and Submarine Cable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Marine Cable</td>
<td></td>
<td>EN.</td>
<td>1,800</td>
<td>14</td>
<td>167</td>
<td>1,033</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Submarine Cable</td>
<td></td>
<td>EN.</td>
<td>600</td>
<td>0</td>
<td>119</td>
<td>461</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Marine and Submarine Cable</td>
<td></td>
<td>EN.</td>
<td>1,860</td>
<td>14</td>
<td>286</td>
<td>1,514</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power and Related Cable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76 Insulated Cable and Wire (Copper Content)</td>
<td></td>
<td>S.T.</td>
<td>-</td>
<td>1,132</td>
<td>6,728</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76A Bare Cable and Wire (Copper Content)</td>
<td></td>
<td>S.T.</td>
<td>-</td>
<td>463</td>
<td>462</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Power and Related Cable</td>
<td></td>
<td>S.T.</td>
<td>21,000</td>
<td>1,595</td>
<td>7,190</td>
<td>34</td>
<td>103</td>
<td>13,310</td>
</tr>
<tr>
<td>Miscellaneous Materials Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80 Sheet Fiber</td>
<td></td>
<td>S.T.</td>
<td>1,000</td>
<td>266</td>
<td>986</td>
<td>99</td>
<td>300</td>
<td>14</td>
</tr>
<tr>
<td>83 Parchment Paper</td>
<td></td>
<td>S.T.</td>
<td>1,600</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,600</td>
</tr>
<tr>
<td>83A Condenser Paper</td>
<td></td>
<td>S.T.</td>
<td>346</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>346</td>
</tr>
<tr>
<td>83B Cigarette Paper</td>
<td></td>
<td>S.T.</td>
<td>336</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>336</td>
</tr>
<tr>
<td>35 Other Materials and Their Products</td>
<td></td>
<td>S.T.</td>
<td>5,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Protocol Item No.</td>
<td>Item Description</td>
<td>Unit</td>
<td>3rd Protocol Production Program</td>
<td>Made Available at Mill in U.S.A. Oct. 1, 1953</td>
<td>Made Available at Mill in U.S.A. July 1, 1953</td>
<td>Percent of 3rd Prot. Program Completed as of Nov. 1, 1953</td>
<td>Ratio of Actual Deliveries to Prot. Schedule (Nov. 1, 1953)</td>
<td>Balance to be Produced as of Nov. 1, 1953</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------------------------</td>
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<td>---------------------------------------------</td>
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<td>----------------------------------------------------------</td>
<td>---------------------------------------------</td>
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<tr>
<td>154</td>
<td>Connected Carbide Tipped and Blank Tools</td>
<td>$</td>
<td>3,000,000</td>
<td>2,657</td>
<td>2,946,744</td>
<td>25</td>
<td>76</td>
<td>2,953,256</td>
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<tr>
<td>159</td>
<td>Small Cutting Tools</td>
<td>$</td>
<td>25,000,000</td>
<td>16,562,021</td>
<td>15,438,838</td>
<td>63</td>
<td>23</td>
<td>11,561,652</td>
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<tr>
<td>150</td>
<td>Measuring Tools</td>
<td>$</td>
<td>3,000,000</td>
<td>682,990</td>
<td>489,023</td>
<td>14</td>
<td>42</td>
<td>2,974,177</td>
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<tr>
<td>678</td>
<td>Abrasive Products</td>
<td>$</td>
<td>4,000,000</td>
<td>577,270</td>
<td>1,796,902</td>
<td>45</td>
<td>136</td>
<td>2,003,959</td>
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<td>62</td>
<td>Machine Tools</td>
<td>$</td>
<td>120,000,000</td>
<td>8,990,750</td>
<td>8,127,690</td>
<td>78</td>
<td>115</td>
<td>74,870,250</td>
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<tr>
<td>63</td>
<td>Electric Furnaces</td>
<td>$</td>
<td>12,000,000</td>
<td>302,957</td>
<td>1,870,209</td>
<td>16</td>
<td>48</td>
<td>10,129,751</td>
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<tr>
<td>64a</td>
<td>Rolling Mill and Equipment</td>
<td>$</td>
<td>16,000,000</td>
<td>126,248</td>
<td>587,341</td>
<td>3</td>
<td>9</td>
<td>35,948,583</td>
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<tr>
<td>62a</td>
<td>Presses, Forges, Headers and Related Equip.</td>
<td>$</td>
<td>30,000,000</td>
<td>1,497,800</td>
<td>8,130,300</td>
<td>27</td>
<td>82</td>
<td>21,869,700</td>
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<tr>
<td>64d</td>
<td>WireDrawing Equipment</td>
<td>$</td>
<td>2,000,000</td>
<td>23,475</td>
<td>23,757</td>
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<td>1,916,243</td>
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<tr>
<td>65</td>
<td>Various Industrial Equipment</td>
<td>$</td>
<td>120,000,000</td>
<td>35,343,199</td>
<td>51,336,402</td>
<td>83</td>
<td>130</td>
<td>68,653,536</td>
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<tr>
<td>66</td>
<td>Control Inst. and Testing Machines</td>
<td>$</td>
<td>1,700,000</td>
<td>37,997</td>
<td>430,103</td>
<td>26</td>
<td>73</td>
<td>1,049,897</td>
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<tr>
<td>69-70</td>
<td>Anti-Friction Bearings</td>
<td>$</td>
<td>15,000,000</td>
<td>677,999</td>
<td>3,253,933</td>
<td>22</td>
<td>67</td>
<td>11,748,057</td>
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<tr>
<td>111</td>
<td>Block Signal System</td>
<td>$</td>
<td>14,591,500</td>
<td>69,068</td>
<td>298,135</td>
<td>2</td>
<td>6</td>
<td>24,233,345</td>
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<tr>
<td>150</td>
<td>Power Equipments</td>
<td>$</td>
<td>75,000,000</td>
<td>6,348,285</td>
<td>23,984,611</td>
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<td>97</td>
<td>51,050,369</td>
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<tr>
<td>Total Industrial and Related Equipment</td>
<td>$</td>
<td>231,291,500</td>
<td>35,312,756</td>
<td>102,267,336</td>
<td>33</td>
<td>100</td>
<td>290,000,168</td>
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</tr>
</tbody>
</table>

Of the several industrial equipment programs included in the Third Protocol Schedule, all production arrangements have been made in the case of Machine Tools, Forging Presses and Headers, Rollers, Rolling Mill Equipment, Welding Equipment, Bearings, Power Generating Equipment, Block Signal Equipment, and Auxiliary Industrial Equipment. In the case of Connected Carbide Tools and Blankets, Small Cutting Tools, Measuring Tools, Control Instruments and Testing Machines, Electric Furnaces, Gymnastics, Pumps, and Cranes, considerable progress has recently been made in rounding out programs, but substantial portions of the new orders offered under the Third Protocol still remain to be placed. Because of this delay in the submission of requisitions, it appears that in the case of at least two of these items - pumps and cranes - it will not be possible to produce before June 30, 1954 the entire quantity promised under the Third Protocol. A part of the totals offered will consequently have to be cancelled or taken up with substitute equipment. In the case of Rolling Mill Equipment, Wire Drawing Equipment, Equipment for Steel, Reheating, and Forging Furnaces, and Valves and Fittings, Soviet representatives have not as yet submitted programs for inclusion in the Third Protocol schedule. Since less than two-thirds of the Third Protocol programs have been committed to the production of these items, it can be assumed that full Third Protocol offers cannot be filled by June 30, and that a part of the totals originally promised will have to be cancelled or used for substitute equipment. It is planned to include in the December report a comprehensive statement of the detailed status of the several industrial equipment programs.
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>3rd Protocol Production</th>
<th>Made Available at Mill in U.K. as of Oct. 1, 1943</th>
<th>Made Available at Mill in U.K. as of July 1, 1943</th>
<th>Percent of 3rd Protocol Progress Completed as of Nov. 1, 1943</th>
<th>Ratio of Actual Deliveries to Prot. Sch. as of Nov. 1, 1943</th>
<th>Remarks to be Made to Complete 3rd Protocol Prod. Program</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>67A Abrasive Grain</td>
<td>T.</td>
<td>4,000</td>
<td>189</td>
<td>1,665</td>
<td>42</td>
<td>127</td>
<td>2,337</td>
<td></td>
</tr>
<tr>
<td>68A Graphite Electrodes</td>
<td>T.</td>
<td>5,757</td>
<td>149</td>
<td>1,457</td>
<td>32</td>
<td>97</td>
<td>3,900</td>
<td></td>
</tr>
<tr>
<td>68B Other Graphite Goods</td>
<td>T.</td>
<td>1,481</td>
<td>118</td>
<td>999</td>
<td>26</td>
<td>79</td>
<td>1,258</td>
<td></td>
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<tr>
<td>69C Graphite Powder</td>
<td>T.</td>
<td>1,120</td>
<td>29</td>
<td>699</td>
<td>62</td>
<td>188</td>
<td>203</td>
<td></td>
</tr>
<tr>
<td>75 Tires, Tubes, Other Rubber Products (Rubber Content)</td>
<td>T.</td>
<td>40,320</td>
<td>1,500</td>
<td>12,905</td>
<td>32</td>
<td>97</td>
<td>22,313</td>
<td></td>
</tr>
<tr>
<td>82 Metallic Cloth and Screen</td>
<td>$</td>
<td>1,000,000</td>
<td>14,687</td>
<td>169,010</td>
<td>16</td>
<td>24</td>
<td>835,990</td>
<td></td>
</tr>
<tr>
<td>54 Emergency Equipment</td>
<td>$</td>
<td>25,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

The U.S. has expressed its willingness to supply up to 875,000,000 of Emergency Equipment provided the Soviet government certifies the need for particular items totaling this amount, and provided specifications are acceptable to the U.S. No few requisitions have been placed under this category. Because of lead factors, deliveries took place against these in October.
With the compliments of British Air Commission

who enclose Statements Nos. 111 and 112 — Aircraft Despatched — for the weeks ended November 9th and November 16th respectively.

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

November 22, 1943.
## Aircraft Despatched from the United States
### Week Ended November 9, 1943

<table>
<thead>
<tr>
<th>TYPE</th>
<th>DESTINATION</th>
<th>ASSEMBLY POINT</th>
<th>BY SEA</th>
<th>BY AIR</th>
<th>FLIGHT DELIVERED FOR USE IN CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-17</td>
<td>U.K.</td>
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<tr>
<td>CONSOLIDATED</td>
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<td>U.K.</td>
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<tr>
<td>L-10</td>
<td>U.K.</td>
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<td>1</td>
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</tr>
<tr>
<td>L-10</td>
<td>U.K.</td>
<td>U.K.</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L-10</td>
<td>U.K.</td>
<td>U.K.</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L-10</td>
<td>U.K.</td>
<td>U.K.</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vickers Supermarine</td>
<td>405</td>
<td>U.K.</td>
<td>U.K.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>U.S.</td>
<td>U.S.</td>
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</tr>
<tr>
<td>U.S.</td>
<td>U.S.</td>
<td>U.S.</td>
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</tr>
<tr>
<td>U.S.</td>
<td>U.S.</td>
<td>U.S.</td>
<td>3</td>
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</tr>
<tr>
<td>U.S.</td>
<td>U.S.</td>
<td>U.S.</td>
<td>4</td>
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</tr>
<tr>
<td>U.S.</td>
<td>U.S.</td>
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</table>

Regraded Unclassified
<table>
<thead>
<tr>
<th>TYPE</th>
<th>DESTINATION</th>
<th>ASSEMBLY</th>
<th>BY SEA</th>
<th>BY AIR</th>
<th>FLIGHT DELIVERED FOR USE IN CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURTISS</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Kittyhawk</td>
<td>Australia</td>
<td>Sydney</td>
<td>20</td>
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<tr>
<td>Mohawk</td>
<td>India</td>
<td>Bombay</td>
<td>8</td>
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<tr>
<td>HOODBURY</td>
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</tr>
<tr>
<td>Harvard</td>
<td>India</td>
<td>Bombay</td>
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<tr>
<td>VULTEE</td>
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<td></td>
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<tr>
<td>Vengeance</td>
<td>Australia</td>
<td>Sydney</td>
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</tr>
</tbody>
</table>

**Total:** 106 53 0

**NOTE:**

In Statement No. 109 of November 1st please note that 22 Baltimore V to M.E. should read 21 Baltimore V and 1 Mitchell II to M.E.

Movements Division
British Air Commission

November 13, 1943.
<table>
<thead>
<tr>
<th>TYPE</th>
<th>DESTINATION</th>
<th>ASSEMBLY POINT</th>
<th>BY SEA</th>
<th>BY AIR</th>
<th>FLIGHT DELIVERED FOR USE IN CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSOLIDATED</td>
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<td></td>
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</tr>
<tr>
<td>Liberator III</td>
<td>M.E.</td>
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<tr>
<td>Liberator B VI</td>
<td>India</td>
<td>India</td>
<td>2</td>
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<tr>
<td>DOUGLAS</td>
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<tr>
<td>Dakota III</td>
<td>M.E.</td>
<td>M.E.</td>
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<td>Dakota III</td>
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<td>India</td>
<td>4</td>
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<td>GLENN MARTIN</td>
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<tr>
<td>Baltimore V</td>
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<td>M.E.</td>
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<td>NORTH AMERICAN</td>
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<td>V20A</td>
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<td>Ventura GR V</td>
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<td>M.E.</td>
<td>M.E.</td>
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<tr>
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<td>FAIRCHILD</td>
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<td>Sydney</td>
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<td>CURTISS</td>
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<tr>
<td>Marklet</td>
<td>Geylon</td>
<td>Colombo</td>
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<td>STIRLING</td>
<td>U.K.</td>
<td>U.K.</td>
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<tr>
<td>Movements Division</td>
<td>Total</td>
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<td>43</td>
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</tr>
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</table>

\[Regraded Unclassified\]
DEPARTMENT OF STATE
WASHINGTON

November 22, 1943

My dear Mr. Secretary:

I am in receipt of a communication from the American Ambassador at Montevideo stating that your message of condolence to President Amezaga on the occasion of the death of the Uruguayan Finance Minister, Ricardo Cosio, was delivered through the Uruguayan Foreign Office.

In reply the Uruguayan Minister of Foreign Affairs has requested Ambassador Dawson to transmit through the Department an expression of President Amezaga's appreciation of your thoughtful attention.

Sincerely yours,

[Signature]

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.
TELEGRAM SENT

PLAIN

November 2, 1943

AMBASSADOR,

MONTevideo.

539, Second

FROM SECRETARY MORGENTHAU FOR PRESIDENT

JUAN JOSE AREZAGA OF URUGUAY.

QUOTE I have just been informed of the untimely death of Finance Minister Ricardo Cossi and wish to express to you and to your official family my feeling of sympathy and condolence. I am sensible of the loss suffered by the United States as well as by the Republic of Uruguay.

UNQUOTE.

STETTINIUS
(Acting)
(FL)

FD: U:
Information received up to 10 A.M. 22nd November 1944.

1. **Navy**
   One of E.M. Frigates escorting home-bound convoy out of Bay of Biscay has a pricking attack on a S-boat 20th/21st.

   The medium-sized merchant ships in this convoy have since been hit during a glider bomb attack. An Italian MAS boat (similar to S-boat) sunk its German escort off Dakar and arrived at an Allied port on 19th.

2. **Military**
   **Italy** To noon 21st. Continued heavy rain hindered operation. On extreme right violent encounters between units north of Sabina. 8th Italian Division prevents crossing river by Sobra 20th/21st.

   **Burma** 16th. About 300 Japanese crossed the Sittang River into 40th Div.

3. **Air Operations**
   **Italy** 19th. 40 light and fighter bombers attacked communications and transport in and behind the battle area.


   **North Africa and Arabia** 19th. 24 fighter bombers attacked transport at Saida, Manbij and El MA (South west of Tripoli).
November 23, 1948
9:30 a.m.

TAXES

Present: Mr. Bell
Mr. Sullivan
Mr. Blough
Mr. White
Mr. Gaston
Mr. Haas
Mr. Smith
Mr. Tickton
Mr. Lindow
Mr. Surrey
Mr. Tietjens
Mrs. Klotz

H.M.JR: You know about Paul arranging to talk about the tax bill. I asked him to arrange it Friday for a group for Wednesday.

MR. BLOUGH: He told me yesterday that you asked to have a group meet, but he didn't say anything about when it was going to meet, and he suggested I get in touch with you to find out.

H.M.JR: I asked him definitely please to have it. I wasn't coming. I talked with him either Friday or Saturday and asked him to do the thing.

MR. BLOUGH: I didn't check with his office this morning, but yesterday I had the impression that he didn't have a definite hour.

H.M.JR: I talked to him either Friday or Saturday and asked him to do this thing.

MRS. KLOTZ: Maybe his secretary knows something about it.
H.M.JR: Ask her to step in, will you, please? (Klotz)

I'm terribly disappointed at the staff's having done something for me on my statement on the tax bill—I mean, the stuff that I got is just terrible. Now this thing, "Answers to Criticisms," I don't know who wrote it, but my God, I'd be ashamed of it! It is the darnedest thing I ever saw. There are no answers. I don't know who wrote it. The result is I am going to have to burn myself out this week. You fellows are going to have to work every night and everything else. It just isn't an answer. I mean, there are four pages of nothing.

MR. BLOUGH: Did you talk to Mr. Smith?

MR. SMITH: Good morning, Roy!

H.M.JR: This isn't Smith, this is Henry Morgenthau, Jr. I haven't even talked to Smith, so don't rope him in for my remarks.

MR. BLOUGH: I beg your pardon; I didn't mean that. I thought Smith and I had this thing fairly well talked over.

MR. SMITH: I got your memos. Louis Shere brought them down, but they are still sketchy.

MR. BLOUGH: I was under the impression you didn't want to get started until today.

H.M.JR: I asked a couple of weeks ago for answers to criticism, and I got the memo. (Refers to Memorandum of November 8, "A Summary of Points in Rebuttal")

MR. WHITE: Is this to be a speech or a memo?

H.M.JR: A statement before the Tax Committee, answering them on this business.

MR. WHITE: Well, I don't think this document was intended for that. (Reads memorandum) It begins, "A Summary of Points in Rebuttal."

H.M.JR: That is what I am talking about.
MR. WHITE: I gather from the form that it wasn't intended —

H.M.JR: Just as a rebuttal. But as a rebuttal, I say it is lousy—so that nobody can misunderstand me—because the result is you fellows are just going to have to work day and night, now, the rest of the week.

Get me Miss Chauncey in here, will you, please? (Klotz)

Now, I called up Bell yesterday and Haas last night. The first thing is to have an answer to this statement about the War Department saving thirteen billion dollars, and everybody can quit. Now, Haas got interested in it yesterday, as I understand. I asked Bell, and I understand that this question of inflationary gap is Haas' responsibility.

MR. HAAS: We have been doing something on it.

H.K.JR: Now the statement has been out for a week or ten days. It is too bad you didn't get the idea ten days ago, but you got it yesterday. I give you credit for that, but it has been kicking around town. Nobody has answered it. I don't blame anybody. What I am saying this morning —

Good morning. (Miss Chauncey enters room) I'd like Mr. Paul's memorandum - the rebuttal. (Miss Chauncey leaves room with the Secretary's briefcase)

I don't blame anybody but me. Nobody has been talking to me. Now, George, do you want me to call up Mr. Patterson and find out who in the War Department can give us this stuff?

MR. HAAS: I think the suggestion made to me over the phone last night to write Stimson a letter —

H.M.JR: It has taken weeks. I have got to have this, George. I mean, this thing has been out for ten days.

MR. HAAS: I'm afraid they'll just give us the run-
around. Stacy May said that he is making contact, and I called up the Budget, Colm, about it. He is coming over Wednesday. The thing is very confused in his mind. I don't know--I'll try, anyway, but I'm afraid you won't have something that you can use publicly.

(Miss Chauncey re-enters room and hands document to the Secretary)

MR. BELL: It may be that my boys have something on it, because the morning it came out in the paper, I started and asked about it. I asked Stacy May if he had anything on it. He said, "No, I'll have something Monday for you." He said he got the same impression that I did, that it is a bookkeeping transaction.

I called the Budget, and they didn't have anything definite on it. I have my boys starting to see if it will affect expenditures in '44 and changing the financing estimates accordingly. My impression is that it will not change them one dollar.

H.M.JR: You did start it?

MR. BELL: Yes, the day it was in the paper.

H.M.JR: Do you want to get that? (Mr. Bell leaves room)

(Over inter-phone) Get me the Under Secretary of War, Mr. Patterson, please.

Does this come out of your shop? (Questions Mr. Blough concerning undated rough draft of letter to the Secretary of War, copy attached.)

MR. BLOUGH: Yes.

MR. HAAS: It seems to me, Mr. Secretary, if you had this information from somebody in authority you would have the answer.

H.M.JR: That is all right, if he insists on a letter, but I haven't got time. And the thing I want, Herbert, is this: I want the answer to the question of
Hello.

Mr. Patterson.

Hello.

Hello. Bob?

Henry.

Good morning. I need a little help from you.

Yeah.

Sometime in the last ten days somebody in the War Department said you were going to turn back to the Treasury $13 billion.

Uh....

Now, could I just explain what I need?

Yeah.

I've got to appear Monday on the Hill in connection with the tax bill and, of course, since the -- that statement has been accredited to the Army, if they say, "Well, there's no danger and the inflationary gap is-- does reduce -- has been reduced" -- and all the rest of that tripe. Now....

We never -- we never said we were returning it. What we said, I believe, was this -- I was up there.

Yeah.

We said, "We are placing -- I think it came to $13 billion, in a reserve which we will release to the services of the War Department only on permission and clearance from the Bureau of the Budget."

Well, the point....

So that it is funds appropriated to us that we will not use except on approval of the Bureau of the Budget. Now, I think that's what we did.
HMJr: Well, that is -- that helps, but he -- has the Secretary of War or the General Staff got a statistical section that could help us....

P: Yes.

HMJr: ....prepare an answer that we could get out Friday?

P: Yes.

HMJr: I mean -- are there two separate statistical sections, one for the Secretary of War and one for the General Staff?

P: No. The General Staff have a Budget Office under General Richards.

HMJr: Yes.

P: Now, the Army Service Forces have most of the fiscal matters. That Budget Office is a small outfit.

HMJr: Yeah.

P: That's under General Carter. You know him.

HMJr: Yeah. Well, now....

P: Who do you want to get in touch with there?

HMJr: I want to get in touch with whoever has the most intelligent fellow, who's got the most authority. That's what I want.

P: I think I'll send you both of them. Then you are sure to have the right one. Uh -- who do they get in touch with?

HMJr: Well, I think -- well, the man here who's handling it is -- is Dan Bell.

P: Bell? I'll have them get in touch with Bell today.

HMJr: Today?

P: Yes, sir.
HMJr: That is Carter?

P: And Richards.

HMJr: And Richards.

P: I think Richards is the man but I'll get Richards to call Bell up right away.

HMJr: And what I may need is -- I may need when I get through -- is a statement over the signature of the Secretary of War.

P: Yep.

HMJr: See?

P: Yep.

HMJr: Because this thing, you see -- well, you've seen the papers -- the use they've made of it.

P: Yep.

HMJr: It's just floored us.

P: Yep.

HMJr: Now, the Navy isn't doing anything along these lines, are they?

P: I understood that they were being pressed to and were doing it, but -- uh -- haven't done it yet.

HMJr: Well, that would be Jim over there? Jim....

P: Jim Forrestal, I'd say.

HMJr: Yeah.

P: Yeah.

HMJr: Well, you will tell General Carter and General Richards to contact Bell?

P: I will, right away.

HMJr: And -- but I'm looking forward to getting a statement out over the signature of the Secretary of War.
P: Yep.
HMJr: Thank you so much.
P: All right, Henry.
inflationary gap no longer being a danger. I want it answered in the paper by Saturday morning, so that the country can be prepared, and say, "Why didn't somebody tell us this?" And so that I don't have to take it myself, Monday. I can't handle it all.

But my thought was, if we could get this stuff—have a press conference. I'll call up Fred Vinson and ask him whether he wants to do it, so he can't--. If he thinks it's his private baby, okay, he can have it. But if he doesn't, we can have it in the Treasury and have it in the paper Saturday morning.

(The Secretary held a telephone conversation with the Under Secretary of War, Mr. Patterson)

(To Mr. Bell) He says this, that they never said what the paper said they did; that they would simply put in reserve thirteen billion dollars which they would only use on the okay of the Bureau of the Budget.

MR. GASTON: That is what the New York Times story said, precisely.

H.M.JR.: Now, what I asked for was who was the man. I asked, "Has the Secretary of War a separate office in the General Staff?" He said, "That is General Richards." I said, "I want the most intelligent man with the most influence in the War Department." He said, "I don't know; I'll send both." He asked whom to see. I said, "Bell." George wanted you to have it, so you go ahead.

(To Mr. Blough) I wish you had come back with some carnation pink cheeks, instead of looking the way you do!

MR. BLOUGH: There's only one trouble with me—I haven't had any breakfast. That is all right. The train was crowded. I had just gone out when you called me. Don't worry about me.


MR. BLOUGH: Please don't bother.

H.M.JR.: I do, because I want to jump on you! (Laughter)
(Secretary orders breakfast for Mr. Blough)

MR. HAAS: Now I'm sure you don't want any breakfast!

MR. GASTON: He needs ham and eggs and hot cakes, now!

MR. SULLIVAN: The condemned ate a hearty breakfast!

MR. BLOUGH: Go ahead and jump; I'll take anything you can give me.

H.M.JR: Well, Dan, now let me get hold of Forrestal. (The Secretary places call for Mr. Forrestal)

MR. BELL: He has five million in the picture.

MR. GASTON: I think we ought to have somebody from the Budget in here when the Army man is in.

MR. WHITE: That is a very strange step. Don't they ever spend money that isn't approved by the Budget Bureau? And what do they mean by turning over this and saying they won't spend it unless approved?

MR. BELL: The Budget Bureau has a regulation out—and I might say I'm responsible for it—requiring the Departments to place large sums of money in reserve which they can't get released without prior approval of the Budget. They can't obligate it. There is a lot of this money, and it has been appropriated in just such a reserve.

MR. WHITE: Is that something that is done every year? How much did they set aside last year?

MR. BELL: I don't know, but the last year that I was in the Budget we saved millions of dollars by putting it away in reserve and releasing it as and when emergency came along.

MR. WHITE: Do they spend most of what they put in?

MR. BELL: This eleven billion dollars has been informally approved by the Bureau of the Budget to go in reserve, and there is a two billion dollar additional item under discussion, which makes the thirteen billion dollars. It affects the Air Corps and the pay of the
Army, the Signal Corps, the Medical Department, and the Ordnance.

(The Secretary held a telephone conversation with Charles F. Detmar, Jr., Office of the Secretary of the Navy)

We also discussed with the Bureau of the Budget as to what effect this might have on the expenditure program, and Mr. Colm and Mr. Loeffler said that they had under consideration revising their estimate of expenditures, but that the figures that we had been using in our financing program were just about what they were thinking. They thought the war expenditures would run between ninety and ninety-five billion. We have been using ninety-two and a half.

This thing can't be so far off as far as the War Department is concerned, because when they came into the fiscal year they had fifty-four billion dollars of unliquidated obligations; that is, the contract obligations on the books on June 30 which had not been paid for. And they had unobligated balances of fifteen billion brought over, and they had new appropriations of fifty-nine. So the thirteen billion comes out of the new appropriation, in effect.

H.M.JR: Look, Dan, this is down your county. All I can do is to be the spark plug and get everybody around here excited. But if Gaston, Smith, and anybody else agree with me or don't agree with me—if this thing could be gotten out a couple of days in advance—which I testify—get the country prepared for the thing, see, and get the arguments in the paper. It isn't to take the heat off me; it is a question of education.

MR. SULLIVAN: Preparing ground for you.

H.M.JR: That is right, and this is the kind of thing. It isn't me; after all, the Bureau of the Budget should take it.

MR. GASTON: Yes, that is what I was going to say. It should be a quick new summation of the Bureau of the Budget.
November 23, 1943
9:45 a.m.

HMJr: Hello.
Operator: Mr. Forrestal is out of the city until late this evening.
HMJr: Well, give me....
Operator: His legal assistant is acting....
HMJr: Who?
Operator: His legal assistant, Mr. Detmar - D-e-t-m-a-r.
HMJr: That's all right.
Operator: I'll get him on.
HMJr: Hello.
Operator: Mr. Detmar.
HMJr: Hello.
Operator: Go ahead.
HMJr: Mr. Detmar.

Charles F. Detmar: Good morning, sir.
HMJr: Good morning. Morgenthau speaking.
D: Yes, sir.
HMJr: Look, Mr. Detmar, I want some help from the Navy.
D: All right, sir.
HMJr: I'm getting it from the Army and if you'd be as good as the Army, I'll be satisfied. (Laughs) A little competition.
D: All right.
HMJr: As you know, the Army was quoted in the papers as saying they were going to save $13 billion....
Right.

HMJr: ....with the result that the Congress said, "Well, we just don't need a tax bill." And I've got to go up on the Hill Monday and tell them why we do. Now, if the Navy, through whoever your fiscal officer is, is planning any cuts -- uh -- I'd like to know who that person is. The Army is giving us General Carter and General Richardson.

D: Uh huh.

HMJr: And whoever the corresponding people are in the Navy, if they could work with Mr. Bell today, it would be very helpful so that -- what I'm trying to get is a statement from both the Secretary of War and Navy, over their signatures, just exactly what they are going to do.

D: What the cuts are going to be?

HMJr: Yeah.

D: All right. I'll tell you -- I think Admiral Horn would be the man.

HMJr: He would?

D: Let me check with him and I'll have whoever is the proper person get in touch with....

HMJr: Danny Bell.

D: Dan Bell?

HMJr: Yeah. Looking forward to a statement over the signature of the Secretary of the Navy which I want, and this thing's got to be cleaned up by Friday noon.

D: Uh huh.

HMJr: See?

D: Yeah.

HMJr: Can I count on you?

D: You surely can.
HMJr: Thank you so much.
D: I'll do it right away.
HMJr: Thank you.
D: All right, sir.
MR. WHITE: I think it would be better coming from the Bureau of the Budget. If it came from you it would appear you were trying to justify your taxes; whereas, if it came from them it is a matter of clearing up facts. I think one of the most effective ways of demonstrating the absurdity of that is showing how each of the previous year's sums have been set aside and spent—if they had done that in previous years. I gather from Dan that they have.

MR. GASTON: There is practically never any appropriation fully spent in the year for which it is appropriated. There are always unexpended balances going over from fiscal year to fiscal year.

MR. BELL: Where they made their mistake, I think, is not revising their expenditure estimates in August when they put out the summation. They thought at that time they were not going to meet the program, but they didn't want to revise the expenditure program, because they thought it might have a bad psychological effect on the country at large.

H.M.JR: Dan, I have got to go to this funeral, and I want you to talk to Harold Smith before I go to the funeral, because I want this in the paper Saturday morning, see?

MR. BELL: Yes.

H.M.JR: To prepare the country. And somebody is going to have to work like hell to get this thing started. I want to talk on a few of the tax items. Would you (Bell) mind going to your room and getting it started, and then come back?

MR. BELL: I think you had better eliminate me from the funeral, and I'll go on with this.

H.M.JR: The man died! All right.

MR. BELL: He won't be listening!

H.M.JR: Who else goes before Banking and Currency here?
MR. WHITE: I have been, but he doesn't know me from a hole in the wall. (Laughter)

H.M. JR: What a pal!

MR. WHITE: They just had him appointed Chairman of that Committee on Friday.

MR. SULLIVAN: He was made Chairman of this Liaison Committee Saturday morning. He was sick the night before.

H.M. JR: Come on, John, you keep me company.

MR. BELL: How about Delano, if he is around? He was supposed to take this week off and rest, but he might be a good one to go.

H.M. JR: (Over inter-phone) See if Mr. Preston Delano is in his office, one; and, two, if he is going to go to the funeral of Mr. Steagall, he might go with me. Let me know, will you?

MR. FITZGERALD: (Over inter-phone) Yes, sir. He was down at his farm yesterday when I told him. I don’t know whether he is back again.

H.M. JR: All right.

MR. BELL: He is away for the week, but I think he might come in for that. (Mr. Bell leaves the room)

H.M. JR: Now, the thing that I am griping about is this. If I am correct, they have been making a lot of talks, approved by Mr. Gaston, about post war inflation. I think the figure he is using is sixty billion dollars, isn't it? It is piling up; some people use a hundred million dollars.

MR. BLOUGH: Yes, in that neighborhood.

H.M. JR: On page 3 of this memo (Refers to a "Summary of Points in Rebuttal") it reads: "4. Would the lowering of the exemptions and the repeal of the earned income credit unjustly burden the low-income groups? ........ Moreover, the Congress may, if it wishes, make a large
part of the tax on the low-income groups refundable after the war."

If he is so worried about the present amount of money in the hands of the people, and then you add to it the amount which is going to be refundable, he is just piling it on. You are just adding to that particular worry.

MR. BLOUGH: Well, there are two things to be said about that. In the first place, we don't need to answer every point. For instance, if you feel that you would rather forget about the refundable tax which didn't catch on, anyway, in the House, we'd just drop that out of the picture.

H.M.JR: No.

MR. BLOUGH: But in the second place it does fit into this post-war problem to this extent, that you can determine when the money would be paid back after the war, and see that it did not get paid back at a time when it would add fuel to the fire.

H.M.JR: There are two things: one is that point, and two, I want to raise the question whether we want to do the refundable tax which didn't catch on, anyway. I am honest on this.

MR. BLOUGH: It is not a good memo. I agree to that.

H.M.JR: Then I'll stop picking. The other thing is that number one, Reduction of Federal Expenditures, Substitute for Tax Program. In the light of what I stated here, that is not an answer.

MR. BLOUGH: We have done a great deal more on that since that memo was written.

H.M.JR: I'll say one thing more, and then I'll quit. I mean, this is the eleventh, and the whole answer of my thing is in paragraph one. That is the thing I am griping about--the number one--that you should attempt to answer in that number one, which is no answer.
MR. BLOUGH: May I say, Mr. Secretary, that was based on a thirty-five page memorandum. We didn’t think you wanted to look at a big memo, and we made a very short summary. Since that time we have done a lot of work and we could give you by noon a better answer.

H.M.JR: That is what I took with me to the country to read, and all week-end it has been boiling.

MR. BLOUGH: I am very sorry.

H.M.JR: You don’t have to be.

MR. BLOUGH: It is much further along than that, I assure you.

H.M.JR: It is that number one that got me off on the wrong foot--I mean, how you handle that. I am convinced there is a way to handle it. I am convinced there is an answer, but it isn’t there. All right, let’s finish.

MR. BLOUGH: Yes, sir.

H.M.JR: Now, this is a little thing--or maybe it isn’t. Who knows what Robert Nathan is doing?

MR. WHITE: He is in the hospital. He had very bad back trouble. They set him to work digging trenches, and he went into Walter Reed Hospital. He came out, and is now back again. He may be improved. I haven’t heard for the last couple of weeks.
MR. SULLIVAN: I have seen him within two weeks out - I think within two weeks - and I thought he looked quite well.

MR. BLOUGH: I talked to him last week. He was out but he was going right back. He was on a ten-hour pass, or something like that.

H.M.JR: Hasn't he been discharged?

MR. BLOUGH: He may have been by this time. He is going to Hot Springs, Arkansas, to recover and write a book on the post-war situation for the C.E.D.

H.M.JR: What is that?

MR. BLOUGH: Committee on Economic Development.

H.M.JR: What I am getting at, if the man is well enough so that he could sit as we do on this thing for the week, and give us the benefit of his brain, that is what I was thinking about, you see.

MR. BLOUGH: I don't know whether he has been close enough to the situation.

MR. WHITE: I am sure he would be glad to if he is available.

MR. BLOUGH: You know him better than I do.

MR. WHITE: I know him personally.

H.M.JR: Harry, you call him up. What I wanted, from now until I go on the Hill - couldn't we send this stuff to him and have him say, "You are missing this or that"?

MR. WHITE: If he is still in uniform, it is perfectly all right, isn't it?

H.M.JR: Yes.

MR. SULLIVAN: He wasn't in uniform when I saw him.
MR. WHITE: I am not sure whether he has had a full discharge.

H.M.JR: Before I go on, do you get the idea?

MR. WHITE: I will get in touch with him this morning.

H.M.JR: What happened?

MR. TIEFJENS: Walter Heller was out at Paul's Sunday working on the speech. After you called Randolph, he said, "Heller, you tell Louie Shere to arrange for an inflation meeting through Miss Alger - via Miss Alger."

So Shere--

H.M.JR: Let Miss McCathran hear this. We will get it cleared up. At least let her hear it.

(Miss McCathran entered the conference.)

H.M.JR: Miss McCathran, just listen a minute.

MR. TIEFJENS: Walter Heller was working with Randolph on Sunday on the speech when you (the Secretary) called, and he told Heller that when he came back to the office to have Louie Shere arrange for an inflation meeting via Miss Alger, and give her the names and get the names from her, and Shere did that with Miss Alger. Miss Alger didn't know at what time the meeting was to be called. She wasn't told. So she checked with Fitzgerald, gave the names to him, and was waiting to hear from your office as to what time the meeting was to be called. So that is apparently where it is now. She wanted the names to be checked with you first, too, because she was told it was your meeting.

H.M.JR: I told them specifically that I couldn't go. You (Miss McCathran) know where it is. We will let it rest a minute. Thank you.

(Miss McCathran left the conference.)
H.M.JR: In view of what Bell is doing, and everything else, I wonder whether we want that. The thing I wanted—everybody is working on the inflationary gap—see what they have. If Bell is going to do it, I just wonder whether we want this meeting, you see?

Mr. GASTON: Well, I will make an off-side comment, and that is I suggest we forget the inflationary gap. There isn't any such thing. Nobody can define any such thing as inflationary gap. I don't know just what the meeting was to be.

H.M.JR: The kind of meeting Paul is always having—Eccles, and all those people.

Mr. SULLIVAN: Nick Gilbert, and so forth.

MR. WHITE: I think that would be called for only if you haven't a good case against this new thing injected in the stream. Judging from Dan Bell's remarks, from what you got over the phone, you can dispose of that, or the Budget Bureau can dispose of that, which leaves the situation as it was before the statement was made. In that event I should think you would not want a meeting, because presumably there is nothing new in the developments, and therefore you can make the very effective point should it be raised orally with you, should that be disposed of, and continue with the other points in your argument and assume that the situation is as it was when you first presented the material.

H.M.JR: Well, let's give Bell a couple of hours, see, and see where he is at, and then we can take this thing up again. We will just hold the thing in suspense.

MR. GASTON: It might be of some use to sort of consolidate sentiment and get everybody's views about what sort of a case we ought to present.

MR. WHITE: Might it not be worth while if the Budget Bureau was able to indicate that this doesn't change it, merely to see that everybody in Washington understands
there has been no change, and a meeting might help to prepare the ground for the Secretary.

MR. GASTON: Even more, if the Budget Bureau changes its figures.

MR. HAAS: No doubt be changed.

MR. WHITE: You mean if the expenditure is diminished; then the meeting is in order.

H.M. JR: The point that Bell made to me last night is that he doesn’t think that the figures are going to be changed materially for the calendar year ’44, and that is what he thinks.

MR. GASTON: Well, fiscal ’44 is the important thing, I should think.

MR. SULLIVAN: That is what he meant.

MR. WHITE: That would include that.

MR. GASTON: Oh, yes, that is even better.

H.M. JR: Now, the thing I wanted to have is - somebody can make notes for Blough - Stanley can - I want to go back to the suggestions that the President always had in his mind. In the first place, I agree with Fred Vinson that we ought to have a lot of plans on the ten and a half billion. But one plan that the President has always mentioned is what he did when he was in Albany as Governor and wanted to raise some money for the unemployed. You can look this up, Stanley.

When you figure your net income, supposing your net income, after all deductions, was two thousand dollars; you added, I think, one percent the first year, which went for relief. I think they got it up to two or three percent. They had a very good name for it, and it only ran for one year, see? They took one percent of whatever your net income was. Whenever you got through, down in the lower
right-hand corner, you figured that was your net income, and figured one or two percent. He has been after me for a long time. Why don't we, to help for the war, and all this - when people have this income, write it down and figure out one, two, three, four, five - up to ten percent. How much would it add?

Mr. SULLIVAN: That is the same technique as the defense tax.

H.M.JR: Yes, which was knocked out.

Mr. SULLIVAN: Yes. We went through this at that time, remember? I knew I had read the story before.

H.M.JR: Well, I would like to have that explored. It won't take very long. Give me an answer.

Now, on my philosophy as of today, let me give it to you this way: I have read the excellent survey which was prepared in Schwarz' office under Smith's direction - the criticism of everybody, of me and the Treasury and everybody else. If you haven't seen it, it ought to be circulated. When I get all through and done, this is where I stand as of this morning. I think where we fell down - and there is no use criticizing - but we tried to please too many people in the last tax, with the result we pleased nobody. Therefore, this time I am going to try to please myself and get out a good tax bill.

(Mr. Bell entered the conference.)

H.M.JR: I would just like to repeat this for the benefit of Mr. Bell. I think where we fell down in our last tax bill was we tried to please everybody, and as a result didn't please anybody - labor, conservatives - we didn't please anybody.

So I am back to where I was, unless something comes up. I want to ask for ten and a half billion dollars of revenue with no trimmings, no refunds, or anything else. I want a good stiff tax bill which will help pay for the war while we can afford to pay for it, with no trimmings.
MR. BLOUGH: Suits me.

H. M. JR.: Then I do want to review the C.I.O. program, and so forth, and so forth. Just a good bill that will produce revenue while the war is on. Then if they don't like it they are going to have to attack me because it is too stiff and not because of its social aspects.

What I would like to have from the committee is this - and you fellows are going to have to work awfully hard and awfully fast: I want a chart so I can say, "Gentlemen, this is the tax bill as of this year; and this is what it does for the various income groups."

We will take people - I thought we would have two groups; single man, and married man with two children. "This is what it does to the man with an income of a thousand dollars and under."

Now, then, I don't know, say from one to twenty-five hundred, or from one to three thousand - and not more than six groups. "This is what the House bill did." And each case always having a number of people affected. I think I once asked for this, say, for a thousand dollars or under, this year - calendar year. "In '43 we have got so much."

Now, my groups - there may have been six hundred and sixty dollars - or whatever the right figure is - six hundred and sixty dollars under the Victory tax, isn't it?

MR. GASTON: Six hundred and twenty-four.

H. M. JR.: Whatever it is - but I want what it is this calendar year - what the House bill did, and then the proper groups, you see? And then state what is in the House bill, and then what we think it ought to be. But be sure and get the thing in financial groups, plus the number of people, to answer this nine million people thing, you see?

I am not sure of what I am going to say, now, and it may not be right, but in order to answer these people -
that these nine million people aren't going to pay it. Maybe we will have a head tax of five or ten dollars for every person under a certain limit. It isn't a very good name - I am not sure about this, but I am throwing it at you. But at least let's get this thing out. I want a trial run.

Call in some friendly people like Walter Lippmann, who, after he saw Gaston, said, "All right" - like the editor of the Washington Post - a few people like that; maybe Ernest Lindley; maybe the columnist, Raymond Clapper - try it out on them - or Robertson of PM. - and try this thing out. Do you see? If that is possible, I would like to have something like that.

I would say, "Now, gentlemen, here is the problem - here is the way it is. We need ten and a half. I am not going to tell you how to get it."

And then the other thing I want to do is say, "All right, everybody is talking about a sales tax - ten percent sales tax which will yield roughly six billion dollars. But I am sure there is nobody in this committee that is going to recommend it without exemptions; so let's look at the exemptions. And I am sure, gentlemen, that you will want to exempt food and clothing, and this and that; and as you exempt the various things, this is what you have got, if you want it. After all, you are the elected representatives of the people. I am sure, gentlemen, your ear is closer to the ground than mine is, because I don't have to run for office; you do. If you want a sales tax, here it is, plus exemptions." When you take out all the essentials of life, what does it get down to?

MR. BLOUGH: Oh, it cuts you down at least two-thirds, I think.

H.M.JR: All right, I want to say that, and have a chart with the various items.

"All right, gentlemen, are you, Senator Byrd, going to recommend that you put ten percent on food? Are you going to put ten percent on clothing, and this and that?"
MR. SULLIVAN: Kent and medicine?

H.M.JR: "All right, when you eliminate all those things, this is what you get." And I would have a chart on that. but I am not going to go up and recommend the President's insurance scheme, and I am not going to recommend the refundable feature. I am going to recommend ten and a half billion dollars of straight revenue, and then they can say they don't want it.

And then I want to talk about the need. I want to talk about the mistake that Mr. Mellon made, and Mr. Coolidge made in 1921, and say, "I am not going to stand here and make the same mistakes they did, with the resulting collapse and depression which followed the thing.

MR. SULLIVAN: Elementary arithmetic.

H.M.JR: Yes. "Now, gentlemen, if you want to do that, O.K." At least I am going to be Secretary of the Treasury and recommend ten and a half, and I will also bring in this stuff about the boys going to have to both fight the war and pay for it.

That is the way I feel this morning. I would like you people to think about it. I will meet again with you this afternoon at three-thirty.

All right?

MR. GASTON: I don't believe we ought to change bases too much. I think you can suggest alternatives, but I think the original plan was a good plan.

MR. SURREY: Randolph and I spoke to Senator George Friday and he did not seem disturbed about dropping the nine million people. He thought if it were in the interest of simplification, he would go along.

H.M.JR: On that, if we drop them out, both under the Victory tax and kick out the Ways and Means' three percent tax, please, for heaven's sake, on the nine million people,
give me examples of what they do pay for cigarettes, and gasoline, and all the other things.

Mr. SURKEY: That is what we spoke to Senator George about, dropping out the three percent tax.

H.M.JR: You take the average family, and pay so much: He buys so much cigarettes, so much liquor, he may go to the movies once a week, and so forth, and so forth. All right, a man has so much. He is certainly entitled to so much. He doesn't go to cabarets, doesn't buy fur coats, but under a democracy he is entitled to a couple of packages of cigarettes, and to do this, and that, and the other thing. And right now he is paying a Federal tax of so much. Don't tell me he is not paying any tax. It is just the plain bunk of the people who want to make that fellow pay so that the man who is getting a hundred thousand dollars a year shouldn't pay.

Now, let's de-bunk this thing and call a spade a spade. The net result of the whole thing - I am going to be tough. Then if they want to criticize me, they have got to criticize me because I am too tough. But I am not going to wiggle-waggle, and try to please ten people over in the White House. I am not going to do it.

MR. WHITE: I agree with ninety percent of what you say.

H.M.JR: Harry, ninety percent? May I shake your hand, please? (Laughter)

MR. WHITE: I won't wait until you hear the ten. I will shake hands now. (The Secretary and Mr. White shake hands.)

H.M.JR: This is one of the high moments of my life. I am only ten percent wrong in the eyes of Harry White. And Harry, if you are getting the best of me - I will have to leave in six minutes.

MR. WHITE: I think I can say what I want to in less than that.
H.M.JR: Mrs. Klotz thinks I can't wait that long.

MR. WHITE: Well, you said that you didn't feel that the boys who are fighting now are to pay for the war. I am in thorough agreement with that, and that is what I want to start on. In other words, prevent them paying for the war.

Now, any additional tax you put on now, many of the men who are in the services will not pay. They don't pay excise taxes; they get their food and cigarettes for nothing; they don't pay as much income tax; they get low incomes. Therefore, any tax that you recommend now, even if it is a bad tax, and you didn't care whether it is bad or good as long as it was for revenue--

H.M.JR: I didn't say that.

MR. WHITE: But you are not going to expose yourself to whether it is socially good or bad.

MR. GASTON: No, no, no. You said you didn't care about making friends, trying to please different people.

MR. BLOUGH: And social reform, I think.

MR. WHITE: Let's delete that. I have only got three minutes.

MR. GASTON: That is out. Now you start fresh.

MR. WHITE: Therefore, if you take the position that these taxes - that your additional ten billion dollars of taxes shall be just the tax which shall be on during the war, and that the minute the war is over the first taxes that shall come off shall be those taxes, then I think you can go to town. But if you include in your tax recommendations, the tax structure, the kind of taxation which they are likely to do unless you fight them, then you are doing exactly what you don't want to do, because when the boys come home you are putting--
H.M. JR: Give me an example, Harry.

MR. WHITE: Let me take the example of lowering the exemptions. Let's say, if you lower the exemptions, and if that lowered exemption lasts after the war, then the boys that come back from the services and begin earning money--

Let me come back at this tomorrow or the next day.

H.M. JR: How about three-thirty? The very thing that you are talking about, see? Lowering exemptions - I am against it - I don't want to lower the exemptions.

MR. WHITE: But I gather you weren't willing to say how they get the money as long as they get the money.

H.M. JR: No, look - we will start the three-thirty meeting with White.

MR. BLOUGH: He said all that in the House statement.

MR. WHITE: He was going to change his mind as to what he is going to say in the Senate, I thought.

H.M. JR: The trouble is, I think you are suspicious of what I am going to do. If you ask me what I am going to do, I will tell you. I will tell you exactly the kind of things I mean. Paul and his group, in order to please, thought that it was good strategy to say, "we will lower the exemptions." I never was for it. That was displeasing to the labor unions. I am not going to do it because I never did believe in it. They have had to beat me down every time in order to get me to lower the exemptions. I don't want to lower exemptions. I don't think you know quite what I have in my mind.

MR. WHITE: I don't think I do.

H.M. JR: So therefore you question me at three-thirty.

MR. GASTON: Lippmann was a good deal impressed by the fact that I showed him there would be thirty-five or more
million taxpayers left after letting the nine million go, and also that fifty-three percent of the amount of additional taxes would fall in the group of five thousand and below. That is the majority of new taxes.

H.M. JR: Would you mind, Bell, taking this group into your room and see who does what, and hold certain people to certain things? I have asked for these charts. You ought to take some of these people in. I have given them certain orders, and I want to know when they get started, and know that this has number-one priority. But these things I have described - who is going to do it - what is Haas going to do. So take them in your office and get them started. I will meet the same group at three-thirty.

MR. BELL: The books close tomorrow night on the refunding. We have one million three, as of last night - thirty percent of them.
My dear Mr. Secretary:

I have been very much interested in the fact that the War Department has announced the release of some $13 billion of its available funds. There has been considerable confusion as to the effect of this release on expenditures, and I should like to ask you to help clarify this matter for me. I should greatly appreciate it if you could supply me with the following information:

1. Total appropriations and contract authorizations available through the War Department before the release of the $13 billion.

2. Estimated total expenditures by the War Department during the fiscal year 1944 calculated before the release of the $13 billion.

3. Total appropriations and contract authorization available through the War Department after the release of the $13 billion.

4. Estimated total expenditures by the War Department during the fiscal year 1944 calculated after the release of the $13 billion.

This information will be most helpful to me, and I should like to have it as soon as possible.

Very truly yours,

Secretary of the Treasury
Who has the information that I want? I mean -- are you -- you were going to call up Harold Smith.

Yeah. I couldn't get Harold. He's sick in bed and I called his house and they said he was asleep. They thought he'd wake up in a little while and they'd have him call me.

Yeah.

I've been in touch with Wayne Coy....

....and they've already worked up a statement....

Yeah.

....explaining the $13 billion and Jimmy Byrnes said he was going to give it out.

Yeah.

I suppose as Acting President. I think there is a little difference of opinion on it over in the Budget. I think that Coy thinks the Director of the Budget should give it out.

Sure.

Well, I talked to him about Budget summation in simple statement form on Friday and he said, well, they thought they could throw something together, but he'd like to get in touch with Smith. We're just sitting here, a few of us, discussing whether it would be advisable to put out a Budget summation at this time and whether or not it couldn't be handled another way. I don't know yet.

Well....

General Richard is coming at 1:30.

When you -- the point I want is something out by Friday.

Yeah.
HM Jr: What's the chances?

B: I think the chances are pretty good. What it will be, I don't know, but I think they were drawing something for Byrnes to put out right away. Now, whether that will be sufficient, I don't know 'till I see it.

HM Jr: Well....

B: But Coy said he wouldn't do anything on it until he talked to me again.

HM Jr: Well, I mean it....

B: We are waiting now to get in touch with Smith....

HM Jr: I see.

B: ....who is ill.

HM Jr: I see. Well, it looks as if I started something, huh?

B: Yep.

HM Jr: And....

B: Well, they've been talking to Byrnes about it the last couple of days and Byrnes decided that he would give out a statement on it.

HM Jr: Well, do they know that I've got to go up on the Hill Monday?

B: Yep. I told them that you were going to be put on the spot on Monday and that something ought to be done before then.

HM Jr: Now, will you do one other thing for me?

B: Yep.

HM Jr: Call up Fred Vinson and tell him what you're doing.

B: All right.

HM Jr: And tell him we'd like to have his help.
B: All right.

HMJr: See?

B: Yeah.

HMJr: And you might -- because he may be in on this thing, too, you see?

B: Yeah. I'll tell him.

HMJr: And we need his help to get this thing out beforehand.

B: Okay.

HMJr: Thank you.

B: Yes, sir.
November 23, 1943
11:24 a.m.

HM Jr: Hello.
Ted Gamble: Hello, Mr. Secretary.
HM Jr: Hello, Ted. Ted...
G: Yes.
HM Jr: I'm counting on you, you know, to handle this advertising business.
G: Yes, sir.
HM Jr: Are you making any headway?
G: Yes, sir.
HM Jr: You are?
G: Yes, sir.
HM Jr: Well, do you know when it's going to come up in the House? Or anything else?
G: Mr. Lynch and Mr. Mager were here -- we had a meeting this morning on it.
HM Jr: Who's Lynch?
G: Lynch is in the General Counsel's office. He's been one of the liaisons with the Hill.
HM Jr: Yeah.
G: And he followed the bill all the way through the Senate Committee....
HM Jr: Oh, yeah.
G: ....as an onlooker and reporter for us.
HM Jr: Yeah.
G: And we have prepared a report. We are documenting it now so that it can be presented to the House Committee.
Yeah.

We are supporting it with all of the evidence of the....

Well....

....facts that we have on what the weekly newspapers did. I've talked to Nathan Adams in Texas.

Yeah, that's what I'm leading to.

He has agreed, not only to contact Rayburn himself, but to see that other influential people in Texas contact Mr. Rayburn.

Well, how long ago did you speak to Adams?

I spoke to him yesterday morning.

Is he going to let you know what reaction he gets?

Yes, sir. He was away last week-end....

Yeah.

....on a ranch down in Texas and we couldn't reach him.

Yeah.

I talked to him yesterday morning.

What Committee handles this? Do you know?

Uh -- the -- it goes in to the Rules Committee in the House.

Uh -- but then -- Rules?

Yes.

Uh huh. I wonder who's on Rules, you see?

Yeah, Sabath is on there. I've started to get the list of names this morning.
Hl!Jr: And to go to work on them?
G: Yes, sir.
Hl!Jr: Attaboy.
G: But we're watching it, Mr. Secretary, and we have several other people in the....
Hl!Jr: Well, watching it ain't enough.
G: I -- I -- I understand. I don't mean that.
Hl!Jr: All right.
G: I understand that Thomas and those fellows said they wouldn't do anything about it. Is that right?
Hl!Jr: Thomas?
G: Harold Thomas.
Hl!Jr: Oh, I don't think they'll do anything.
G: No.
Hl!Jr: They always let somebody else do it.
G: That's right. Well, I started to check up on it and I found that you had already spoken to them.
Hl!Jr: Yeah.
G: And that they are not going to do anything about it.
Hl!Jr: Yeah. And I haven't heard from Knox.
G: Yeah. Well, he won't do anything.
Hl!Jr: They're all scared.
G: That's right.
Hl!Jr: Yeah.
G: Well, we -- we're not afraid to stick our neck out on it.

HMJr: Well, I'm personally not afraid.

G: I understand that. And I think you're sound on it.

HMJr: And you might -- another thing is -- this is "period -- paragraph -- new subject."

G: Yes.

HMJr: You might begin to find out and get acquainted with the man who is going to take Palmer Hoyt's place.

G: Mr. Healey.

HMJr: Yeah.

G: Yes, sir.

HMJr: And I'll tell you, you might ask Elmer Irey if our boys know him.

G: Yes, I will do that.

HMJr: And we might have a good introduction to him through that channel.

G: Fine.

HMJr: The man that handled the Huey Long case -- whose name was Burford....

G: Yes.

HMJr: ....and he may know this fellow. I don't know whether this is -- how active he was with Huey Long, but through Irey or Burford we might get a good line on him.

G: Fine. I'll get a line on him from Irey.

HMJr: Right.

G: I'll call today on it.
HMJr: Right.
G: All right, sir.
Luncheon meeting in Secretary Morgenthau's Office  
Tuesday, November 23, 1943  

Present: Secretary Morgenthau  
Mr. Crowley  
Mr. Cox  
Mr. Currie  
Mr. White  

The Secretary had invited the group to luncheon to pursue the discussion of questions relating to the British dollar balance position.

The Secretary began by saying that he had informed Secretary Hull that he and Mr. Crowley were ready to discuss with him the question of French payment for military goods now sent under lend-lease credit and would it be possible to take that up after the meeting on the Argentine matter in Secretary Hull's office was over. Several days after the inquiry Secretary Morgenthau said he was informed by Secretary Hull's office that Secretary Hull was not yet ready to discuss the French matter. Secretary Morgenthau said as soon as Secretary Hull sets a time of meeting he would be ready he would get in touch with Mr. Crowley.

The Secretary then related the gist of conversation at the luncheon he had had with Lord Halifax and Waley.

Mr. Crowley asked how far we had gone in our preparation of a program. Mr. White replied that he thought that the draft of the letter agreed on by Currie and himself represented the views of the group. The letter, he said, placed the matter squarely up to the President and called either for approval designed to curtail the balances or for a decision by the President to modify the directive of last January.

Mr. Cox thought that that approach would not be the wisest. He felt it would be better not to raise the question of the balances. He said that the State Department would not agree and that eventually the Prime Minister would raise the issue with the President and then we would not have made any progress. He thought it would be much better not to bring the matter to the President but rather to pursue the course of attacking each item separately. He stated that the first step had been taken on fish from Iceland. The next one might be sugar from the Caribbean area, then shipping services and there were other items. It was his view that if we raised each one of these projects separately there would be no point on which the Prime Minister could appropriately complain to the President.
White said that he preferred the approach of the total balances. He feared that the aggregate of reductions likely through the other method was quite inadequate to carry out the directive. Currie and Cox, however, pointed out that they hoped the amounts that they could total by taking one item up at a time might reach to several hundred million dollars. White agreed that if that magnitude could be reached the approach suggested by Cox might be all right.

Mr. Crowley repeated the conversation he had had with the President some time ago in which the President said that he thought the British should have up to $2 billion. Mr. Crowley said he had told the President, "Please don't say that. Let the Treasury people and my people work out what we could do on the matter and then if there is any disagreement the matter can be brought to your attention but that I think we can work something out that will be satisfactory." Mr. Crowley therefore thought the approach suggested by Cox was the better one. The Secretary agreed and it was decided to pursue that course as quickly as possible.

The Secretary raised again the question of sending lend-lease goods to the Middle East on a credit basis. Mr. Cox replied that it was a pretty complicated matter, that they were trying to cut out some of the items.

The Secretary repeated some of the things he had stated in former conferences with Mr. Crowley with respect to the desirability of tightening up on the whole Lend-Lease program, and the cutting out of all procedures that weren't fully justified and couldn't be easily defended.

H. D. White
I've had a little -- I had figured on asking to see the Democratic members of the Finance Committee on Saturday. Now, they want to see me tomorrow.

Uh huh.

Now, I'm asking you and Paul to go with me.

Uh huh.

And -- it's for lunch up at Halsey's office.

Uh huh.

Now, golly, I hope you can have something on that $13 billion before that.

I think I'll have it. I've got the story informally but I think I'll have it in writing.

Well, if you could have that by -- for lunch tomorrow, it would be wonderful.

I think I can.

Well, and can you find out who's going to give it out to the public?

Uh -- that we'll have to decide, I think. I can get a written statement either over the signature of the Secretary of War or the Budget Officer, General Richards. He said that he'd do it either way. I told him I thought over his signature as Budget Officer might be just as good. And he'll give us something that we can give to the Committee. He'll write it in such a way that it can be put into the record if you want to.

Gee, I don't know....

Now, I haven't gotten the Budget yet to see what they want to do.

Well, don't you think over Mr. Stimson's signature -- which do you think would have more effect?

Well, I thought probably the Budget Officer's would be as effective.
Well, I'll tell you....

I mean, he doesn't care.

Well, I'll tell you -- no -- I did this through Patterson's office. Hello?

Did it through what?

I started this through Bob Patterson.

Uh huh.

I'd put it up to Patterson, "How do they want it?"

All right.

I mean, let them decide.

All right.

You see?

Yeah.

But we've got to have it by noon tomorrow.

All right. Well, he can give it to me.

Is it a good story?

Uh -- yeah, a good story.

Yeah.

And, as a matter of fact, the thing that they've been working on it for a long time and the thing's been in the mill. If the Committee up there hadn't gotten ahold of it, why, there would never have been any publicity to it. They would have just put it in reserve and forgotten it.

I see.

But, there has been no change in the expenditure figures since the Budget summation of August 1.
B: Yeah. And they see no reason for changing the expenditure figures at this time.

HMJr: Well, you can see the importance of getting it into the hands of the public. Now, what I'd like to do though, is to get it out a couple of days before I go up there.

B: You mean before you go up on Monday?

HMJr: Before I go up on Monday.

B: Yeah.

HMJr: That's what I'd like to do.

B: Well, I think they'd be willing to do that.

HMJr: Okay.

B: All right.

HMJr: Thank you.
November 23, 1943
4:00 p.m.

TAXES

Present: Mr. Bell
   Mr. Sullivan
   Mr. Blough
   Mr. Gaston
   Mr. Haas
   Mr. Smith
   Mr. Surrey
   Mr. Tickton
   Mr. Lindow
   Mr. O'Connell
   Mrs. Klotz

H.M.JR: I have got your memorandum, John, if you want to stay a minute behind.

MR. SULLIVAN: Yes, sir.

H.M.JR: You said you wanted to see me.

MR. SULLIVAN: Yes, sir.

H.M.JR: This is from Gaston to me: "Walter Lippmann's general comment was that he didn't think that the Treasury's case had been well enough presented to the public."
(The Secretary reads to himself Mr. Gaston's memorandum of November 23, attached)

Well, Smith, I'll keep the original. (Secretary hands carbon copy to Mr. Smith)

One thing I would like a little advice on is this: I have been fussing, through Colonel Halsey's office, to meet with these people. First they couldn't come tomorrow, and I said George and Barkley, and as many more as they wanted. Well, I gathered they are inviting all twelve members. I can't back out. But I had intended taking
Bell with me, and Paul and Smith, and anybody who thinks he should come, although I did want to keep it down. The main thing - do you think it would be good ball or not for me to call up Vinson and ask him whether he would go up with me? It is my luncheon; I am paying for it.

MR. SULLIVAN: Who is the committee meeting with?

H.M.JR: Mostly the Democratic members of the Finance Committee.

MR. GASTON: Yes.

MR. BELL: I haven't been able to get Vinson. He has been out all day. I haven't been able to get him, so I haven't told him about it.

H.M.JR: What do you think?

MR. BELL: I certainly don't think it will do any harm, because he will certainly be called before that committee and he ought to know what is going on.

H.M.JR: Fred?

MR. SMITH: I think you ought to invite him.

MR. SULLIVAN: I am just wondering - you are going to try to outline the tax plan?

H.M.JR: Yes.

MR. SULLIVAN: Or are you going to spend most of your time talking about the necessity of the new tax?

H.M.JR: Sort of outline it.

MR. SULLIVAN: I would take him.

MR. BELL: Then you are going to try to get their advice?
H.M.JR: Yes. Does anybody think we shouldn't?

MR. GASTON: I just wonder what good the lunch is going to do. Isn't it just going to make it more difficult for you to say what you want to say when you make a formal appearance before them?

H.M.JR: I don't know, Herbert. I think, over a period of ten years, when you do this thing on a personal basis you don't appear cold before them. You do have a little bit more sympathetic audience.

MR. GASTON: Yes. You couldn't put it on the ground of just asking them what you are going to say or what you should say?

MR. BLOUGH: Ask them how you can go about persuading them.

(The Secretary places a call to Judge Vinson.)

H.M.JR: It is too late to decide whether it was smart, but to go up absolutely cold against these fellows is an awful shock. I have known them for ten years.

MR. GASTON: I think it is all right. I think you can just tell them that you are sticking to your guns on heavy taxes.

H.M.JR: It will be in the paper, but what the heck - it will sort of soften them up. Anyway, it is water over the dam - I mean, if I made a mistake.

MR. SULLIVAN: I don't see any objection to its being in the paper, Mr. Secretary.

MR. BLOUGH: I was a little facetious when I said ask them how to persuade them. I really had in mind that you may be able to find out what types of facts and information they consider important in connection with this, and it may help to guide you in the kind of statement you make to them.
H.M.JR: I think so. Paul called him up and asked him about simplification of this and that thing. Look, anyway, I did it. I think it may soften them up a little. What the heck!

MR. GASTON: Did you notice the Herald Tribune cartoon this morning? That is worth seeing.

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

MR. GASTON: It is directed against the Republicans getting drunk on inflation. It is a good cartoon. It is right up our alley. That is one thing that Ernest Lindley called attention to, that the important papers are swinging around into our corner on the general proposition of the need for heavier taxation.

Of course, many of them are saying it should be done through the sales tax, but not all.

H.M.JR: Well, I would like to have a report--

(The Secretary picks up phone) Tell Schwarz' office I would like to see the cartoon in today's New York Tribune. Send it down to me.

Give me a report, Bell, on what you have been able to accomplish.

MR. BELL: Well, all of the things that you asked for this morning are in Mr. Blough's shop, and he has been working on those three things you asked for. Just what he has done, I don't know. We didn't have any more meetings because he wanted to spend the entire time - oh, you mean the other--

H.M.JR: Yes.

MR. BELL: I still haven't been able to get ahold of Harold Smith. Wayne Coy was to call as soon as he got out of Byrnes' office. That statement was left with Jimmy Byrnes, and he was until one to get him to hold it up.
He said he would talk to them as soon as their meeting was over and call me right afterwards to see if we could get together on some kind of program.

I talked to General Richards of the War Department, the Budget officer. He gave me the background of the thirteen billion. He said late in June or early in July the General Staff went over the whole Army program and they decided to reduce their personal program from eight million and a quarter down to seven million seven. When they did that they called up all of the service bureaus to submit estimates of what appropriations they could get along without for the rest of this fiscal year. After they got the bureaus' estimates, they had hearings before his group, as a result of which they set aside in reserve about ten billion nine.

They notified the Bureau of the Budget of that early in September, and going over the matter again with the Bureau of the Budget, they have since been able to increase that to thirteen billion.

In their budget estimate of last January, they estimated they would spend sixty-two billion dollars this fiscal year, and in July they notified the Bureau of the Budget and also the Treasury - they have been using their estimates - that this estimate would come down to fifty-six billion. That fifty-six billion dollars is in the summation of the Budget, issued on August 1. So that has all been made public.

But at that time the Budget Bureau increased the Navy expenditures from twenty-two billion, set out in the Presidential Budget Message of January, to twenty-eight billion, which was included in the summation. So, on the over-all estimate there was no change whatever - still retained the ninety-seven billion.

Now, whether they did that to retain the ninety-seven, I don't know, but the expenditure program up to date indicates clearly that the Navy is going to exceed their original estimate unless they have a sharp reduction from here on.
They are on a basis, now, of about twenty-four or five billion dollars, and the Army is on a basis of, well, I should think about fifty-five billion, if they spend from here out as much as they will this month.

H.M.JR: Now are you talking about the calendar year?

MR. BELL: Fiscal year. Now the thirteen billion dollar reserve has had very little effect on this year's estimate of expenditures. Whatever effect it has had was taken into consideration in the July change in their estimates.

Senator Byrd and Senator Truman have both been investigating the War Department's huge unexpended balances. That has been a little embarrassing to the Chairman of the Subcommittee of the Appropriation Committee, who has charge of the military appropriation estimates. He talked to Mr. Cannon, the Chairman, and said that they thought they ought to do something about it, because what Byrd and Truman were doing was a reflection on his committee.

So he called the War Department officials up to his committee and rehashed this whole program that the General Staff had changed, also the thirteen billion dollars in reserve, and finally gave the figure to the public as a saving in War Department appropriations.

H.M.JR: Who?

MR. BELL: Chairman Schneider. That is how it got to the public. If it hadn't been for that, you never would have heard of the reserve; it would have been a matter between the War Department and the Bureau of the Budget.

H.M.JR: Who is Schneider?

MR. BELL: Chairman of the Military Affairs Appropriation Committee of the Appropriation Committee of the House - a subcommittee.

And that is about the story.
H.M.JR: How are we ever going to get this thing down, though?

Mr. BELL: He is dictating a memorandum this afternoon which he will give to us and which will be in such form that we can make it public. I told him also to give consideration as to whether, if we wanted them to, the Secretary or Patterson couldn't give it out Friday morning in the press conference. He will do that, too.

H.M.JR: Will we have a press conference?

Mr. BELL: I don't know. Maybe if there is one at the end of the week, one might do it, if that is what you wanted. He will tell me about that tomorrow morning when he gives me the memorandum. I will have that before twelve o'clock.

The Navy said, Secretary Knox said, he never heard of the five billion, and no one in his Department is authorized to give it out. The Budget Bureau said they never heard of it. They said there wouldn't be any change in their estimates unless there was a radical change in their construction program. They said they did have under consideration the matter of throwing out some heavy battleships, but it would be very little paid on those in this year, so not much effect on this year's expenditure program. That will probably have to wait until tomorrow afternoon before I can get anything on it.

H.M.JR: What is Wayne Coy trying to do?

Mr. BELL: I asked him if he didn't want to consider at this time revising the Budget summation given out in suggestion one. We have been trying to get Smith all day to talk to him about it. He said as soon as he got the statement from Byrnes he would call me back. We would talk about whether we wanted to do it or not.

H.M.JR: I think the more light that can be thrown on this thing, the less questions I am going to be asked, and the more the public will understand. I think that is a matter of public education.
MR. BELL: I am not so sure that you can't show the Senate Finance Committee that the expenditures that will be made in November, if continued on that basis, will pretty much reach the War Activities' estimate.

MR. GASTON: You have got a net there of - what did you say - twenty-four or twenty-five, plus sixty-five - about ninety billions, as against ninety-six, is about the way it stands, isn't it?

MR. BELL: No, it is about twenty-five and fifty-five, which gives you eighty. Then you have a lot of other activities - anywhere from fourteen to sixteen billion dollars. What you had was eighty-eight billion of War and Navy, and then you had nine billion of Lend-Lease, outside of the War and Navy, Maritime Commission, Agriculture Department, Treasury, and other governmental activities under the war expenditure classification.

MR. GASTON: But these Army-Navy changes were both taken into account in the last summation?

MR. BELL: Yes. The ninety-seven wasn't changed, but the Army and Navy expenditures were changed. The Navy increased to take care of the reduction in the Army.

H.M.JR: Get this thing - why don't you see if you can get Wayne Coy here? (The Secretary placed a call to Mr. Wayne Coy.)

MR. BELL: Would you like to see them revise the Budget summation?

MR. BLOUGH: Stanley made a suggestion here.

MR. SURREY: I was just wondering - this thirteen billion will probably be used in the House debate starting tomorrow.

MR. BLOUGH: This could be killed before that debate starts.
MR. SULLIVAN: Budget could come out with their statement and let War and Navy go on and explain it Friday.

MR. HAAS: I think Fred Smith's explanation is the one the public can understand easiest.

H.M.JR.: What is that?

MR. HAAS: He has prepared a statement to be given the Senate. In that statement is an explanation of the thirteen. I think the way he has handled it is the most effective way to handle it.

H.M.JR.: This is good. I haven't read it. Do I get a copy?

MR. SMITH: Yes.

H.M.JR.: Nobody tells me anything. Let's say that this is up to the best Smithsonian style.

MR. BLOUGH: It is pretty good, Mr. Secretary.

MR. SMITH: I don't know - it is all right with Research and Statistics.

H.M.JR.: I still think that Stanley has an idea. If this thing could be put into the hands - this explanation - of Patman, who is carrying the fight - the thirteen billion explanation--

MR. BELL: This is the subsidy?

MR. BLOUGH: No, tomorrow the House starts debating the tax bill.

MR. SUKREY: They finished the subsidy bill today.

MR. BELL: You don't mean Patman, do you?

H.M.JR.: I mean Doughton.
MR. SURREY: Doughton is not on your team.

H.M.JR: Give it to somebody. I didn't know the House was in session today.

MR. BELL: They adjourned yesterday, I think, out of respect.

H.M.JR: You publicity fellows, this is what I think: I think the quicker we can get out the answer to the thirteen billion, the better. And then if they don't handle it right, we can always come in on the rebuttal. I mean, if we could lay that thing, fine. Don't you think so? If it could be done in the House--

MR. SMITH: If that would do it. The only thing that worries me is that if it gets out as a technical explanation, it may not get any attention. I was enthusiastic, but you are having a fairly sizable meeting here; maybe having Vinson here, and having a good burial for the thing--

H.M.JR: Yes, but supposing Mr. Stimson and General Richards at his side, are willing to do it over there?

MR. SMITH: That is something else again. That will get some attention.

MR. GASTON: I think if we have any friends in the House majority that they ought to be told about this today so that they can deal with it on the Floor.

MR. SMITH: I think that is true.

MR. SULLIVAN: Then the newspaper fellows will go after Stimson on this thing.

H.M.JR: Well, the thirteen billion, it is really up to the Budget to supply those figures, isn't it - the leadership up there?

MR. BELL: Either they or the War Department.
H. M. JR: If you told Wayne Coy the tax bill is coming up tomorrow and we have got this story - you haven't got it yet, though, have you?

MR. BELL: No, except informally. But he was dictating it an hour ago when I called him, so he may have it pretty well done.

H. M. JR: I am thinking out loud - whether that thing couldn't be gotten, well, into the hands of the Speaker.

MR. BELL: Wayne Coy is a pretty good politician. He has a lot of friends up there.

H. M. JR: Tell Wayne Coy to get it into the hands of the Speaker. He could take General Richards up with him and the two could explain it.

MR. BELL: The Speaker wouldn't make any speech. McCormack could.

H. M. JR: Yes, but you have got to be awfully careful. The Speaker would have to invite General Richards to his office tomorrow.

MR. SULLIVAN: That would be the end of it. Neither of those fellows prefer big taxes. How about Jere Cooper?

MR. GASTON: We have got to get somebody in our corner.

H. M. JR: I personally think it is a dead horse; it is going to get lost and snowed under. I would rather have the thing fresh out of Stimson's office Friday morning, with General Richards sitting at his side prompting him.

MR. SULLIVAN: Could Budget release this for the morning paper?

MR. SMITH: I think it will get lost if Budget does it. Nobody reads anything Budget does.
MR. LINDOW: The budget summation doesn't have much to do with the thirteen, and will add confusion, I think; if there is a reduction in expenditure in the budget summation somebody may want to add that to the thirteen.

H.M.JR.: I think they are two separate things. I think it is up to the Army to do the explaining. I think if Mr. Stimson or Mr. Richards would do it it would be better. The earliest that you can do without rushing it so fast that it would be spoiled - if you can get around to it Friday morning.

MR. BELL: They probably could do it around tomorrow morning, around eleven o'clock, and get it in time for the session.

H.M.JR.: You mean Mr. Stimson?

MR. BELL: I am sure Richards will be finished tomorrow morning by ten or ten-thirty.

H.M.JR.: They give it out and say, "Notwithstanding that the Congress only voted two billion dollars." That damn it twice. Now they get it down and finished; it goes down with the bill and it is drowned. Now all the newspaper people are going to write, "Well, the Congress was wrong. They should have gotten more." Then we come up with fresh information that the thirteen billion isn't right, and I think the papers will back us up to the time I go up and ask for the ten and a half. I wouldn't do it for the Ways and Means. After all, it isn't our responsibility, anyway. It isn't as though they were withholding information.

MR. BELL: They are not going to pay any attention to it on the Floor of the House.

MR. SULLIVAN: They have a rule; they couldn't pay any attention if they wanted to, under that rule.

H.M.JR.: Gentlemen, I would not give it to the House tomorrow. It just goes down under an avalanche. Does
anybody disagree with me? Herbert, have I sold you?

MR. GASTON: No, not completely. I think there should be somebody on the Hill intelligent enough about what appropriations mean so that they could ridicule that thing when it comes up. If he isn't going to have any chance to talk about it, that is another thing.

MR. SULLIVAN: A chance to talk, but not to do anything about it.

H.M.JR: Herbert, it is going to get snowed under. Do you mind if I do it my way?

MR. GASTON: No, that will just give me a chance to say yaa, yaa!

H.M.JR: The way you always do -- not. (Laughter)

All right. Then we are waiting for Wayne Coy. You (Bell) are going to talk to him about the summation. You are going to tell him what is doing on the thirteen billion?

MR. BELL: Yes, he knows.

H.M.JR: We are trying to do the thing now, and what we want to do, instead of having him do it, or having Mr. Byrnes do it, have Mr. Stimson do it. Is that right?

MR. BELL: Yes. I would be inclined, I think, to leave the summation alone if we are going to tackle the thirteen billion on Friday morning.

H.M.JR: I will be satisfied.

MR. HAAS: The Budget estimates are not in bad shape in terms of this conversation you had today.

MR. BELL: A lot of things can happen.

(Mr. Bell held a telephone conversation with Mr. Wayne Coy, as follows:)}
Dan Bell: Wayne, have you got any more information?
C: Yeah, I've got the deck cleared.
B: Oh.
C: Just like a one-armed paper hanger though.
B: You don't know what to do?
C: Well, I just this minute got back and talked to Harold. I've just had time enough to talk with him.
B: Uh huh.
C: But I got Jimmy to go along with me on the thing.
B: You mean for him not to release anything?
C: He's not going to release anything. He thought he might have something to say about it in his Press Conference after Harold released it here.
B: Uh huh.
C: Which is all right. He'd have this -- his approach to it is this: he's been working to get the Army and Navy to make cut-backs in their program where they have an overproduction like in small-arms ammunition or a small ship program of the Navy, and substitute for that other things which are new items so that you don't get an inflated program.
B: Uh huh.
C: And he'd approach it from that angle and support the thing, which is all right. That falls right into the pattern.
B: What would you think of having Secretary Stimson give out a statement on this $13 billion?
Well, uh....

I think they can give out a good one.

They can?

Yes.

I saw a statement that they'd prepared for Jimmy on the thing dated the 15th and it's pretty bad. Here's the trouble with it, Dan, and I'll show you why they can't do it and they just can't get it through their heads. They show savings in their construction program of a billion dollars. They show savings in their supply program of about five billion dollars; total savings of six. Well, now, that runs from today to the end of the war, you see, in terms of their supply program.

That's all to the good.

Which -- what?

That's all to the good.

Yeah, but they don't -- they don't spell that out at all and these fellows over there -- I've talked with him about it this afternoon -- with Jimmy -- they -- they're inclined to say that's next year, this fiscal year, you see? In fact, it isn't.

No, I understood that they are of the opinion that the $13 billion does not materially affect 1944 expenditures.

Well, it will affect it some, as you know.

Well, not any more than what they have already taken into consideration when they submitted to you a $56 billion program for your Budget summation.

No.

It's all in there.

Yeah. That's right.
B: So that there's been no change in the picture since the $13 billion was made public.

C: Why -- I was just thinking out loud with you, because the Navy's involved in this picture, too, as well as the Army, except that they haven't gotten the publicity about it.

B: Well, they told me over there they didn't know anything about the $5 billion.

C: They didn't?

B: That's right. Secretary Knox said that he didn't know who gave it out and no one around there knew anything about it.

C: Yeah.

B: And they had no intention of saving $5 billion.

C: Well, what I thought that I'd do here was get our people in in just a few minutes and go over the thing with them and lay out for our fiscal people the preparation of a statement that the Director could issue, which would, in effect, be a revision of our summation. And I talked with Weldon Jones at noon today and he says we can have that prepared within forty-eight hours, he was sure.

B: Uh-huh.

C: Then it might be possible that that could be supplemented by a statement from Stimson which would reinforce the whole damn business.

B: Well, General Richards is preparing such a statement, giving the background of the $13 billion and what it means in terms of expenditures.

C: Yeah, at whose request?

B: Mine.

C: At yours?

B: Yeah. Because I thought maybe we had to use something before the Senate Finance Committee on Monday.
Well, I'll tell you, Danny, any statement that Richards prepares that we don't have a look at and see what it is and what it means in terms of our own figures, we may be just raising hell with it.

You can see it.

Because, I've just seen one that he prepared for Jimmy which is just as cock-eyed as can be....

Uh huh.

....in its implications and I would just jump right down his neck if he gave out a statement about their expenditure program without consulting with us about it.

This is just on the $13 billion.

Uh huh.

Not on their total expenditure program, other than what they have already given you.

Even then, I'd want to see it.

They were going to explain why the $13 billion and how it came about and at the present time they see no reason for changing their expenditure program they submitted to you in August....

Well, that's....

....as part of your summation.

He may get a very good statement. You know, We had $11 billion of this in there four or five weeks ago.

Yeah. That's what he said. First of September you got it.

Yeah.

Well, could I see you tomorrow morning then, the first thing? As soon as General Richards gets ready, and we can all sit down together.
C: Yeah.
B: Would that be better?
C: Yeah. Yeah, I'm free except at 2:30 tomorrow. I've got one date.
B: Uh huh. I'd like to do it in the morning if I could.
C: All right, whenever you get in touch with him, you give me a ring and we'll all sit down together.
B: All right. I'd like to.
C: And then I -- after I get Weldon and his fellows to work on a statement for Harold here, I want you to see that, too.
B: All right.
C: Because we don't want any statement going out that doesn't support your position here.
B: Would you contemplate getting something out by Friday?
C: I would plan to have it to release Thursday night for the Friday morning papers.
B: That'd be swell.
C: That would just fit your schedule.
B: Just exactly.
C: That's what I thought and that's what I'm going to tell them is my schedule on it.
B: All right.
C: Okay, Dan.
B: I'll call you in the morning the first thing.
C: All right.
B: Bye.
H.M.JR: We have covered a lot of ground. Herbert, we are not in the position, intellectually, to give it to the Congress, because, after all, it is up to the Bureau of the Budget. That ought to ease your Oregonian conscience.

MR. GASTON: That is right.

H.M.JR: Willamette Valley.

MR. GASTON: Yes, and Puget Sound.

H.M.JR: Beautiful valley.

MR. GASTON: Both.

H.M.JR: Well, I think we have made real progress, and I feel this way, that once you get that, it still gives us time.

Then you fellows - I would raise the question that we want to re-examine the so-called gap, see - as between Budget and ourself, so that we are together on that.

MR. BELL: I think we are in excellent shape on the gap because the figures you have used have been around ninety-four or ninety-five billions. He had been using the financing estimate and they are awfully close now. And in your preparation of those estimates you consult with a lot of people, among others, Colm, don't you?

MR. LINDOW: Yes, that is right.

MR. HAAS: Colm is coming over to see me tomorrow at three o'clock. We can check with him at that time.

H.M.JR: I feel better tonight than I did. I think we are making a little progress. This was the damndest thing to go up against, this thirteen billion dollars. It seemed unanswerable. If I could just offer this much advice, the more light they can throw on the Budget, the better I am pleased, see? You can see they don't like the Army.
Now, this is the Budget’s job. If they want to do it at press conference, I would tell them for God’s sake to have a careful press conference.

MR. BELL: After all, we have to have our contacts on financing estimates. We don’t go through the Budget for that.

H.M.JR: No. Well, I think now, Roy, you have got three things in the works.

MR. BLOUGH: Those three charts you asked for this morning; the sales tax chart showing the break-down by necessities of various kinds; the chart showing the taxes as a percentage of income for various classes of incomes; and a chart on the nine million taxpayers.

(The Secretary held a telephone conversation with Mr. Fred Vinson, as follows:)
November 23, 1943
4:41 p.m.

Fred, I, through Colonel Halsey's office, asked for an opportunity to see as many of the Democratic members of the Finance Committee as possible tomorrow, and I told them I'd like to have them for lunch. Well, he fixed it up in Halsey's office. They just let me know....

V: Yes.

V: ....for tomorrow. And I'd be very pleased if you'd go along with me.

V: Well, Henry, I don't -- I don't believe I can. I've got -- I've got this coal business that's going to take me day and night....

V: Oh.

V: ....putting the price on coal and some of the mines are shutting down.

V: And I've got to get that out. Then, I don't know that I could add anything to what you would say or do except just to backstand you.

V: Well, that's what I want.

V: I'm ready to do that any time or any place.

V: Well, I just want to let you know you're welcome.

V: Well, that's mighty fine but I believe that -- uh -- another thing if I got up there, why, they might want to talk about some other things.
Laughs) I see.

V: (Laughs) Sometimes when you're not around, why, they can't talk about them.

HMJr: Well....

V: They've been wanting me to back up on this wage -- uh -- railroad business, and I don't know how I could back up. I've already decided it....

HMJr: Yeah.

V: ....and it looks to me like I've lost jurisdiction of it.

HMJr: Well, we -- I'd like to keep you posted up to the time I go up there.

V: Well, that's fine.

HMJr: Well, Bell has been working all day with Wayne Coy on the question of getting out a new summation on an answer to the $13 billion. You see?

V: Yep.

HMJr: He just got through talking to Wayne Coy and -- who's come to an understanding with Jimmy Byrnes.

V: Well, I was over there when Wayne was talking to Jimmy and me. It was after the War Mobilization Committee meeting.

HMJr: Oh, good.

V: And Wayne told me about the conversations....

HMJr: Good.

V: ....and I was particularly strong that the debt situation would be stressed.

HMJr: Yeah.

V: Present debt and debt as estimated as of the end of the fiscal year, because that seems to me to be the material figures as to the question of tax program.
HM Jr: Right. Well -- uh....
V: You agree to that, don't you?
HM Jr: Oh, yes.
V: And our statements that we made before the Committee stand because it don't make any difference how much they save.
HM Jr: Yeah.
V: What they need to do is to pay some of this debt while they've got the money and at the same time keep the house from burning down.
HM Jr: Well, from what Bell tells me and what Wayne Coy told him, I feel that they can explode that $13 billion thing.
V: Oh, yes. That's phoney as far as....
HM Jr: Yeah.
V: ....as the tax problem is concerned -- or the inflation problem, either one.
HM Jr: And Wayne Coy has promised us that he'd get it out not later than Thursday night....
V: Well, that's fine.
HM Jr: ....which would be helpful all around.
V: That's right.
HM Jr: And -- because -- but it's really the Budget's job, I think, to do that.
V: Well, that -- the way I recall it, it was left for Wayne and Budget to prepare it.
HM Jr: Well, it's in the way.
V: Yep.
HM Jr: Well, thank you.
V: All right, Henry.
HM Jr: Bye.
H.M.JR: Here they were, fighting to get into the tax thing, and now it doesn't look so good. Well, I invited him up to lunch with me, but he is too busy and he is afraid they might ask him a lot of questions about other things. He doesn't want to go up.

(Mrs. Klotz entered the conference.)

H.M.JR: I asked Jimmy Byrnes to help me and come over to lunch with Vinson. He is too busy. He won't bother with the tax bill. It is all to the good, isn't it? (General assent)

I had Nathan here and he made a suggestion that I don't know whether it was good or not, but I pass it along for what it is worth. He says he thinks that if we would simply say that these nine million people, or however many people are going to be excluded from paying an income tax - their income amounts to so much; let's say it is twenty or twenty-three million; deduct that from the total national income and say the rest of it is taxable; and talk in terms of one hundred and twenty rather than in terms of one hundred and forty-five, when twenty-three of it you can't tax, anyway. Well, I am throwing it at you. I don't know whether it is good or not. They are talking about four-fifths of the people in terms of one hundred and forty-five billion.

MR. GASTON: He is talking about the tax base you are eliminating rather than the number of people.

H.M.JR: I think it is an interesting idea. I am throwing it at you. I think he said four-fifths of the income is among five thousand. They say four-fifths of one hundred and forty-five billion when they should say four-fifths of one hundred and twenty-odd billion.

MR. SURREY: I think the whole thing has to be explained.

MR. BLOUGH: Would it be all right if I called Nathan and had him explain it to me?
H.M.JR: Do you (Smith) see any reason why not?

Mr. SMITH: No, I don't.

H.M.JR: No, I think he would be complimented.

Mr. BELL: I think the debt thing Vinson mentioned is important. You will have a two hundred million dollar debt at the end of this year, whatever you do. They ought to be a little worried about that regardless of the change in appropriation and expenditures.

H.M.JR: Did you say anything about the debt?

Mr. SMITH: That is what it is all about, just concentrating on the two hundred million you got backed up, and to hell with what you get cut off of from now on.

H.M.JR: Did you find anything about Mr. Mellon and Mr. Coolidge?

Mr. SMITH: I haven't yet. Shere was looking for Paul. I haven't heard from him.

Mr. BLOUGH: I haven't checked on that. I don't know. They haven't reported anything.

H.M.JR: Well, I think this is all right. Now, here is the point; we are making steady progress. I am going to Secretary Hull's at nine-thirty. I would like awfully to have another meeting at eleven with this group. So, if you could tell General Richards, and I think you ought to tie up Wayne Coy with an appointment the first thing in the morning, and be ready for me at eleven.

Mr. BELL: I will.

H.M.JR: This has been a good day. I am going to get a good statement from Roy, now, that will be really something!
MEMORANDUM

To: Secretary Morgenthau
From: Mr. Gaston

I talked to Walter Lippmann yesterday and to Ernest Lindley today. I have an appointment with Raymond Clapper for tomorrow.

Walter Lippmann's general comment was that he didn't think that the Treasury's case had been well enough presented to the public. He asked about the nine million taxpayers whom we propose to excuse, indicating that he thought that the weakness of the Treasury's case lay there. When I explained to him who these nine million were and that there would still be more than thirty-five million taxpayers left and that 53 per cent of our additional taxes were in the brackets below $5000, he seemed impressed. He asked me our arguments against the sales tax. After I had summarized them he agreed with us in our opposition to the sales tax.

Ernest Lindley thinks that in your Senate appearance you should concentrate on the general argument for substantial increases in taxes both on the moral ground that we ought to pay all that we can afford to pay now and on the ground of preventing inflation. He was strongly impressed with the strength of the argument that it will be unfair to saddle the returning soldier with a greater debt than is absolutely necessary. He thought that instead of presenting the same detailed recommendations for new taxes that we presented to the House the plea for new taxes ought to be general and that we should indicate a receptive attitude toward any substantial taxes the Congress sees fit to impose. He thought that we ought not to take even a completely unyielding attitude toward the sales tax but should accept a properly modified sales tax, but only if it were a minor part of a program yielding very substantial new revenue. He thought the Congressional argument against subsidies could be completely turned on them as inconsistent with their attitude on taxation.
Evidently you had a very successful interview with Walter Lippmann and I, therefore, suggest that you also send for Ernest Lindley and several other of the prominent columnists and give them the same kind of talk that you did to Lippmann. I would appreciate it if you would see as many of them as possible between now and Friday night so you could give me the benefit not later than Saturday morning. Then we will have to finally knock my tax statement into shape. Thank you. O.Kuy

Herbert Gaston

The Secretary

November 23, 1943
Herbert Gaston
The Secretary

November 23, 1943

If you agree with me that it is worth while seeing the different columnists, I wish you would include Ray Clapper on your list.
INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE  
WASHINGTON  

THIRD WAR LOAN DRIVE  
THE WHITE HOUSE  

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All other                           $38,175

Bond purchases (cash and pay-roll allotments) $38,479

Quota $6,167
Percentage of quota 624.0
This is what cooperation does.

SWB
11/23

Office of the Under Secretary
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|Count in New York | $684 m | $627 m | $642 m | $535 m |
|Count in Chicago | 75 | 129 | 129 | 159 |
|Count in San Francisco | 81 | 64 | 74 | 74 |
|Count in balance of country | 160 | 180 | 155 | 232 |
MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

For the purpose of assisting in maintaining the maximum production of steel, we have been required by the War Production Board to accept, for the account of Lend-Lease, some premium cost production of steel. This practice is being discontinued by the War Production Board as of December 1, 1943.

Clifton E. Mack
Director of Procurement
### Statement of Allocations, Obligations (Purchases) and Deliveries to Foreign Governments at U. S. Ports

**As of November 17, 1943**

(In Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>U. K.</th>
<th>Russia</th>
<th>China</th>
<th>Administrative Expenses</th>
<th>Miscellaneous &amp; Undistributed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allocations</strong></td>
<td>$3974.6</td>
<td>$1977.1</td>
<td>$1558.2</td>
<td>$109.8</td>
<td>$11.0</td>
<td>$318.5</td>
</tr>
<tr>
<td></td>
<td>(3974.1)</td>
<td>(1977.1)</td>
<td>(1557.9)</td>
<td>(109.8)</td>
<td>(11.0)</td>
<td>(318.3)</td>
</tr>
<tr>
<td><strong>Purchase Authorizations (Requisitions)</strong></td>
<td>$3253.8</td>
<td>$1713.7</td>
<td>$1305.2</td>
<td>$43.8</td>
<td>-</td>
<td>$191.1</td>
</tr>
<tr>
<td></td>
<td>(3242.4)</td>
<td>(1710.1)</td>
<td>(1296.2)</td>
<td>(43.7)</td>
<td>-</td>
<td>(192.4)</td>
</tr>
<tr>
<td><strong>Requisitions Cleared for Purchase</strong></td>
<td>$3158.2</td>
<td>$1662.7</td>
<td>$1280.8</td>
<td>$43.4</td>
<td>-</td>
<td>$171.3</td>
</tr>
<tr>
<td></td>
<td>(3156.9)</td>
<td>(1660.9)</td>
<td>(1278.5)</td>
<td>(43.4)</td>
<td>-</td>
<td>(173.3)</td>
</tr>
<tr>
<td><strong>Obligations (Purchases)</strong></td>
<td>$3040.5</td>
<td>$1631.3</td>
<td>$1229.6</td>
<td>$43.3</td>
<td>$8.4</td>
<td>$127.9</td>
</tr>
<tr>
<td></td>
<td>(3038.3)</td>
<td>(1628.8)</td>
<td>(1229.2)</td>
<td>(43.3)</td>
<td>(8.4)</td>
<td>(128.6)</td>
</tr>
<tr>
<td><strong>Deliveries to Foreign Governments at U. S. Ports</strong></td>
<td>$1464.7</td>
<td>$1010.9</td>
<td>$412.9</td>
<td>$19.8</td>
<td>-</td>
<td>$21.1</td>
</tr>
<tr>
<td></td>
<td>(1436.7)</td>
<td>(991.0)</td>
<td>(405.6)</td>
<td>(19.7)</td>
<td>-</td>
<td>(20.4)</td>
</tr>
</tbody>
</table>

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of November 10, 1943.
EXPLANATION OF DIFFERENCES.

The reductions in Purchase Authorizations, Requisitions Cleared and Obligations in the Miscellaneous Column are a result of adjustments of requisitions estimates to actual contracts.
On Saturday, November 20, John Pehle attended for Herbert Gaston, who was out of the city, a meeting of the Censorship Policy Board of which the Postmaster General is Chairman. Vice President Wallace was present at the meeting and made several remarks concerning Argentina. These remarks were made in the course of the discussion with regard to the termination of censorship as hostilities cease. The Vice President said that although he recognized that censorship must stop with the end of the war he thought we ought to bear in mind that Argentina and the Fascist tendencies which the present government has shown may be a problem to us even after the war.

In view of the Vice President's feelings on this matter you may wish to discuss with him the Treasury's views with respect to the freezing of Argentina.
TO Secretary Morgenthau
FROM Randolph Paul

Subject: Transfers of Argentine Funds.

I am informed that during the week ending November 20, $1,727,000 was transferred from Argentine account to the accounts of other countries, including Sweden, Uruguay, and Panama, and that $6,220,000 was transferred from Argentine account to the Central Bank account.

I am further informed that the third shipment of $1,250,000 of Argentine gold, formerly held by the Federal Reserve Bank of New York for Central Bank account, left New Orleans for Argentina early in the morning of November 15 on the SS Iguazu, and that the fourth shipment of $1,250,000 of such gold left New Orleans for Argentina early in the morning of November 17 on the SS San Juan.

R.S.P.
My dear Mr. Hull:

Reference is made to your letter of November 19, 1943 (Reference FD), relating to the servicing on December 1, 1943, of the French Government 7% dollar bonds due 1949.

Pursuant to your request, this Department is denying the request of the French North African authorities to transfer funds under their control for the servicing of this issue and in lieu thereof is issuing an appropriate directive license for the transfer of the necessary funds from official accounts of the former French Government in the manner requested by you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable
Cordell Hull,
Secretary of State.

AUFOX:rd 11/20/43
ATTENTION: MR. KINBALL

You are instructed to issue a directive license to the French
American Banking Corporation, New York, directing them, pursuant to the provi-
sions of Section 5(b) of the Trading with the enemy Act, as amended, to charge
the account with them in the name of the Paierie Generale Aux Etats Unis with
the sum of $2,400,000 and to pay this amount to J. P. Morgan & Company, In-
corporated, New York, for credit to an account entitled "Government of the
French Republic 7% Bonds due 1949, Account for Payment of Bonds Drawn for
Redemption on December 1, 1943"

Approved "H. M. Jr."

J. W. Beale

AU/ordg 11/6/43
DRAFT OF CABLE TO BE SENT TO HOFFMAN FROM THE SECRETARY OF THE TREASURY.

For your information the French North African authorities requested on October 15 that $2,400,000 be transferred from the account in the name of "Tresorier General Aux Etats Unis du Comite Francais de la Liberation Nationale - General Account" to J. P. Morgan & Company, Inc., for the purpose of providing funds to make payments to presentors of the French Government 7% Loan due December 1949 which were drawn for redemption on December 1, 1943. The State Department has objected to the use of such funds and has requested that the transfer be denied and instead has requested that funds for the purpose of servicing this issue be made available by directive license from the account with the French American Banking Corporation, New York, of the former French Government in the name of "Paierie Generale Aux Etats Unis." In accordance with the request of the State Department, Treasury is disapproving the transfer of the North African funds and is directing the necessary transfer from the former French Government account in the name of "Paierie Generale Aux Etats Unis."

(Signed) H. Morgenthau, Jr.

AUFOX:JWPehle:rd 11/6/43
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE NOV 23 1943

TO Secretary Morgenthau
FROM Randolph Paul

On October 15, 1943, the French North African authorities requested permission to transfer from their funds in the United States $2,400,000 to J. P. Morgan & Company, Inc., New York, for the purpose of providing the balance of the funds necessary to service on December 1, 1943, the French Government 7% loan due 1949. The French North African authorities may have desired to utilize their funds for this purpose for political reasons. For the same reasons the State Department has objected to the use of such funds for the servicing of this issue and has requested Treasury to deny the request of the French North African authorities and to issue an appropriate directive transferring funds from the account of the former French Government in the name of "Paerie Generale Aux Etats Unis" for the purpose of servicing the issue on December 1, 1943.

The necessary directive, the letter from State of November 19 and our proposed reply, together with a wire reporting this situation to Hoffman, Treasury representative in North Africa, are attached for your approval.

[Signature]

Regarded Unclassified
My dear Mr. Morgenthau:

I have your letter of November 11, 1943 regarding provision for the December 1, 1943 service requirements of the French Government 7% dollar bonds due 1949. The case involves a discussion as to whether these bonds should be serviced and, if so, the source of funds and the manner in which the requisite sum of $2,400,000 would be transferred to the paying agent to permit the actual disbursement of only some $200,000 to $300,000 to bondholders with the balance remaining indefinitely blocked as security for the legal protection of the paying agent.

You set forth in your letter three possible choices in the present case: (1) To permit the French Committee of National Liberation to use its funds; (2) Default; and (3) Transfer of blocked official funds of the former French Government. I am informed that this Department carefully deliberated each of these courses of action in arriving at the decision communicated in its letter of November 5, 1943.

The Treasury Department will recall that the President in his statement of August 26, 1943, made in connection with the establishment of the French Committee of National Liberation, indicated that this Government recognized the Committee as functioning within specific limitations during the war. Under the present circumstances, this Department would regard as very undesirable the issuance of a license to permit the French Committee of National Liberation to provide for the service of these bonds. The compliance with the request of the Committee at this time

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.
time would make it appear as though this Government recognizes the Committee as the authority having responsibility for external obligations of France. The Treasury Department is therefore requested to deny the application pending before it.

The Department of State would also regard the forcing of a default in these bonds as undesirable in view of the abundant record of special efforts made by representatives of the respective French factions to prevent default arising only from the effects of laws of the United States.

As you know, it has been the policy of this Department, wherever possible, to give effect to known desires of the people of occupied countries to continue service of their dollar bonds in the United States out of such of their funds as could be made available for the purpose. In the case of certain occupied countries it has been possible to give effect to this policy through licenses issued for accredited representatives of recognized governments whose authority to receive, hold and dispose of the funds in question has been effective because of the issuance of certifications by the Secretary of State to that effect pursuant to Section 25B of the Federal Reserve Act. This procedure is not available in the special circumstances affecting France. It is believed, therefore, that the transfer of the necessary provision under Treasury directive in the manner requested in this Department's letter of November 5, 1943, to satisfy the legal requirements from official funds of the former French Government is justified, and this Department renews that request.

Sincerely yours,

[Signature]
Given out by Mr. White at a press conf.
When the Treasury made public the tentative proposal for an International Stabilization Fund, I said that we were studying means of encouraging and facilitating international investment for reconstruction and development. A few weeks ago I appeared before the Congressional Committees and summarized for them the principles which we believe should guide us in the establishment of a United Nations Bank for Reconstruction and Development.

The technical staffs of the Treasury and other interested departments and agencies have now prepared a tentative proposal for such a Bank. This tentative proposal is being sent to the Finance Ministers of the United Nations and the countries associated with them, for consideration and for study by their technical staffs. The Finance Ministers have been informed that this tentative proposal does not represent the official views of this Government but it is an indication of the views held by our technical staffs.

We are releasing for publication the tentative proposal for a United Nations Bank for Reconstruction and Development and a covering memorandum on the problem of international investment. These two documents, sent to the Finance Ministers, are being released to make them available for public discussion. It is our intention to discuss the tentative proposal with business, banking and other interested groups in this country.

The technical staffs of the Treasury and other departments of this Government are of the opinion that an International Stabilization Fund and a Bank for Reconstruction and Development could help provide a sound financial foundation on which private enterprise can build a prosperous world economy.
One of the important international economic and financial problems which will confront the United Nations at the end of the war will be the unprecedented need for foreign capital. In the areas devastated by war or plundered and ravaged by the enemy, factories and mines, public utilities and railroads, public buildings and public works will have to be repaired or restored. In all of the United Nations, industries now producing war goods will require capital for reconversion to peacetime production. Finally, in many areas of the world, large investment will be needed for industrial, agricultural and commercial development.

Countries whose productive capacity has been seriously impaired by war will find that their industries cannot provide the capital goods and their people cannot provide the savings they require for reconstruction. Most non-industrial countries will of necessity be dependent upon foreign investment to acquire the funds for the purchase of machinery, equipment, and other capital goods for development. And even
in those countries where a considerable part of the need for capital can be met locally, there will be some need for foreign capital to supplement the funds that can be raised at home.

With the return of an assured peace, private financial agencies may be expected to supply most of the needed short-term foreign capital. When the shipping situation is improved and peacetime industry here and abroad has recovered, many business firms will be eager to sell their products abroad on reasonable and even generous credit terms. And banks likewise will hasten to expand their foreign business, reopening and establishing branches abroad, and assisting in the financing of international trade.

It is not unreasonable to hope that with the return of peace there will also be a gradual resumption of long-term international investment, particularly in the form of the establishment of foreign branch plants and the acquisition of shares in established foreign enterprises. With the growth of confidence in monetary stability, foreign investments will gradually assume the form of publicly floated loans to governments and municipalities, and to public utilities and other industries.
This flow of private capital to war stricken countries will be encouraged by an adequate program of international relief and rehabilitation which helps to quickly restore to a working basis the economic life of those countries. Another, and possibly even more important, stimulant to foreign investments, would be the existence of an international agency, such as the International Stabilization Fund, designed to promote stability of foreign exchange rates and freedom from restrictions on the withdrawal of earnings. Such an agency could do much to enhance the attractiveness of foreign investments.

While there will undoubtedly be substantial amounts of long-term foreign investment even in the early postwar period, the flow of capital to countries greatly in need of foreign capital is likely to be inadequate for many years to come. Private capital will understandingly hesitate to venture abroad in anything like the required volume. It has suffered too many losses from war, from depreciating currencies, from exchange restrictions, and from business failures and defaults. There is little evidence to justify the hope that in the years immediately after the
war investors will lend the large sums that can be economically used in foreign countries.

Obviously, it would be desirable to encourage in every way, the provision of capital for productive purposes through the usual private investment channels, and to the extent that private investment is inadequate, to provide supplemental facilities. The problem is fundamentally an international problem and only an international governmental agency equipped with broad powers and large resources can effectively encourage private capital to flow abroad in adequate amounts and provide a part of the capital not otherwise available.

The primary aim of such an agency should be to encourage private capital to go abroad for productive investment by sharing the risks of private investors and by participating with private investors in large ventures. The provision of some of the capital needed for reconstruction and development, where private capital is unable to take the risk, is intended to remain secondary in the operations of such an agency. It should, of course, scrupulously avoid undertaking loans that private investors are willing to make on reasonable terms. It should perform only that part of the task which private capital cannot do alone.
The need for foreign capital will be so great and the provision of adequate capital so important that it would be extremely shortsighted to neglect this urgent international problem. If private capital should suffice there would then be little for an international agency to do, beyond encouraging private investment. If, however, private capital were to prove unable fully to meet the needs, then such an international agency would be able to fill the breach until private capital again flowed freely and the demand for foreign capital throughout the world became less urgent.

It is imperative that we recognize that the investment of productive capital in underdeveloped and in capital needy countries means not only that those countries will be able to supply at lower costs more of the goods the world needs, but that they will at the same time become better markets for the world’s goods. By investing in countries in need of capital, the lending countries, therefore, help themselves as well as the borrowing countries. If the capital made available to foreign countries would not otherwise have been currently employed, and if it is used for productive purposes, then the whole world is truly the gainer. Foreign trade everywhere will be increased; the real cost of producing the goods the world consumes will be lowered;
and the economic well-being of the borrowing and lending countries will be raised.

One great contribution that the United Nations can make to sustained peace and world-wide prosperity is to make certain that adequate capital is available on reasonable terms for productive uses in capital-poor countries. With abundant capital, the devastated countries can move steadily toward rehabilitation and a constantly improving standard of living. Nothing could be more conducive to political stability and to international collaboration. Without adequate supplies of capital, however, recovery in Europe and Asia will be slow and sporadic, and economic discontent and international bitterness will in time assume disturbing proportions. To spend hundreds of billions to fight a war thrust upon us, and then to balk at investing a few billions to help assure peace and prosperity would appear to be a singularly unwise policy.

Accompanying this memorandum is a draft proposal for a Bank for Reconstruction and Development of the United and Associated Nations. The draft was prepared by the technical staff of the United States Treasury in consultation with the technical staffs of other departments of this Government. The proposal has neither official status
nor the approval of any department of this Government. It is in outline form touching on the more important points and is intended only to stimulate thoughtful discussion of the problem in the hope that such discussion will call forth constructive criticism, suggestions, and alternative proposals for possible later submission to the appropriate authorities and to the public.

A United Nations Bank for Reconstruction and Development is proposed as another international agency needed to help attain and maintain world-wide prosperity after the war. It is designed as a companion agency to an International Stabilization Fund. Each agency could stand and function effectively without the other; but the establishment of such a Bank would make easier the task of an International Stabilization Fund, and the successful operation of an International Stabilization Fund would enhance the effectiveness of the Bank. Together, the two institutions could help provide a sound financial foundation on which private enterprise can build a prosperous world economy.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

Washington, D. C.
November, 1943.
Preliminary Draft Outline of a Proposal for A United Nations Bank For Reconstruction and Development

Preamble

1. The provision of foreign capital will be one of the important international economic and financial problems of the postwar period. Many countries will require capital for reconstruction, for the conversion of their industries to peacetime needs, and for the development of their productive resources. Others will find that foreign investment provides a growing market for their goods, Sound international investment can be of immense benefit to the lending as well as to the borrowing countries.

2. Even in the early postwar years it may be hoped that a considerable part of the capital for international investment will be provided through private investment channels. It will undoubtedly be necessary, however, to encourage private investment by assuming some of the risks that will be especially large immediately after the war and to supplement private investment with capital provided through international cooperation. The United Nations Bank for Reconstruction and Development is proposed as a permanent institution to encourage and facilitate international investment for sound and productive purposes.

3. The Bank is intended to cooperate with private financial agencies in making available long-term capital for reconstruction and development and to supplement such investment where private agencies are unable to meet fully the legitimate needs for capital for productive purposes. The Bank would make no loans or investments that could be secured from private investors on reasonable terms. The principal function of the Bank would be to guarantee and participate in loans made by private investment agencies and to lend directly from its own resources whatever additional capital may be needed. The facilities of the Bank would be available only for approved governmental and industrial projects which have been guaranteed by national governments. Operating under these principles, the Bank should be a powerful factor in encouraging the provision of private capital for international investment.

4. By making certain that capital is available for productive uses on reasonable terms, the Bank can make an important contribution to enduring peace and prosperity. With adequate capital, countries affected by the war can move steadily toward reconstruction, and the newer countries can undertake the economic development of which they are capable. International investment for these purposes can be a significant factor in expanding trade and in helping to maintain a high level of business activity throughout the world.
I. The Purposes of the Bank

1. To assist in the reconstruction and development of member countries by cooperating with private financial agencies in the provision of capital for sound and constructive international investment.

2. To provide capital for reconstruction and development, under conditions which will amply safeguard the Bank's funds, when private financial agencies are unable to supply the needed capital for such purposes on reasonable terms consistent with the borrowing policies of member countries.

3. To facilitate a rapid and smooth transition from a wartime economy to a peacetime economy by increasing the flow of international investment, and thus to help avoid serious disruption of the economic life of member countries.

4. To assist in raising the productivity of member countries by helping to make available through international collaboration long-term capital for the sound development of productive resources.

5. To promote the long-range balanced growth of international trade among member countries.

II. Capital Structure of the Bank

1. The authorized capital shall be equivalent to about $10 billion consisting of shares having a par value equal to $100,000.

2. The shares of the Bank shall be non-transferable, non-assessable, and non-taxable. The liability on shares shall be limited to the unpaid portion of the subscription price.

3. Each government which is a member of the International Stabilization Fund shall subscribe to a number of shares to be determined by an agreed upon formula. The formula shall take into account such relevant data as the national income and the international trade of the member country.

   Such a formula would make the subscription of the United States approximately one-third of the total.

4. Payments on subscriptions to the shares of the Bank shall be made as follows:

   a. The initial payment of each member country shall be 20 percent of its subscription, some portion of which (not to exceed 20 percent) shall be in gold and the remainder in local currency. The proportions to be paid in gold and local currency shall be graduated according to an agreed upon schedule which shall take into account the adequacy of the gold and free foreign exchange holdings of each member country.
II-4 b. The member countries shall make the initial payments within 60 days after the date set for the operations of the Bank to begin. The remainder of their respective subscriptions shall be paid in such amounts and at such times as the Board of Directors may determine, but not more than 20 percent of the subscription may be called in any one year.

c. Calls for further payment on subscriptions shall be uniform on all shares, and no calls shall be made unless funds are needed for the operations of the Bank. The proportion of subsequent payments to be made in gold shall be determined by the schedule in II-4-a as it applies to each member country at the time of each call.

5. A substantial part of the subscribed capital of the Bank shall be reserved in the form of unpaid subscriptions as a security fund for the securities guaranteed by the Bank or issued by the Bank.

6. When the cash resources of the Bank are substantially in excess of prospective needs, the Board may return, subject to future call, uniform proportions of the subscriptions. When the local currency holdings of the Bank exceed 20 percent of the subscription of any member country, the Board may arrange to repurchase with local currency some of the shares held by such a country.

7. Each member country agrees to repurchase each year its local currency held by the Bank amounting to not more than 2 percent of its paid subscription, paying for it with gold; provided, however, that:

a. This requirement may be generally suspended for any year by a three-fourths vote of the Board.

b. No country shall be required to repurchase local currency in any given year in excess of one-half of the addition to its official holdings of gold during the preceding year.

c. The obligation of a member country to repurchase its local currency shall be limited to the amount of the local currency paid on its subscription.

8. All member countries agree that all of the local currency holdings and other assets of the Bank located in their countries shall be free from any special restrictions as to their use, except such restrictions as are consented to by the Bank, and subject to IV-13, below.

9. The resources and the facilities of the Bank shall be used exclusively for the benefit of member countries.
III. The International Monetary Unit

1. The monetary unit of the Bank shall be the Unitas of the International Stabilization Fund (137-1/7 grains of fine gold, that is, equivalent to $10 U.S.).

2. The Bank shall keep its accounts in terms of unitas. The local currency assets of the Bank are to be guaranteed against any depreciation in their value in terms of unitas.

IV. Powers and Operations

1. To achieve the purposes stated in Section I, the Bank may guarantee, participate in, or make loans to any member country and through the government of such country to any of its political subdivisions or to business or industrial enterprises therein under conditions provided below.

   a. The payment of interest and principal is fully guaranteed by the national government.

   b. The borrower is otherwise unable to secure the funds from other sources, even with the national government's guaranty of repayment, under conditions which in the opinion of the Bank are reasonable.

   c. A competent committee has made a careful study of the merits of the project or the program and, in a written report, concludes that the loan would serve directly or indirectly to raise the productivity of the borrowing country and that the prospects are favorable to the servicing of the loan. The majority of the committee making the report shall consist of members of the technical staff of the Bank. The committee shall include an expert selected by the country requesting the loan who may or may not be a member of the technical staff of the Bank.

   d. The Bank shall make arrangements to assure the use of the proceeds of any loan which it guarantees, participates in, or makes, for the purposes for which the loan was approved.

   e. The Bank shall guarantee, participate in or make loans only at reasonable rates of interest with a schedule of repayment appropriate to the character of the project and the balance of payments prospects of the country of the borrower.

2. In accordance with the provisions in IV-1, above, the Bank may guarantee in whole or in part loans made by private investors provided further:
IV-2 a. The rate of interest and other conditions of the loan are reasonable.

b. The Bank is compensated for its risk in guaranteeing the loan.

3. The Bank may participate in loans placed through the usual investment channels, provided all the conditions listed under IV-1 above are met except that the rate of interest may be higher than if the loans were guaranteed by the Bank.

4. The Bank may encourage and facilitate international investment in equity securities by securing the guarantee of governments of conversion into foreign exchange of the current earnings of such foreign held investments. In promoting this objective the Bank may also participate in such investments, but its aggregate participation in such equity securities shall not exceed 10 percent of its paid in capital.

5. The Bank may publicly offer any securities it has previously acquired. To facilitate the placing of such securities, the Bank may, in its discretion, guarantee them.

6. The Bank shall make no loans or investments that can be placed through the usual private investment channels on reasonable terms. The Bank shall by regulation prescribe procedure for its operations that will assure the application of this principle.

7. The Bank shall impose no condition upon a loan as to the particular member country in which the proceeds of the loan must be spent; provided, however, that the proceeds of a loan may not be spent in any country which is not a member country without the approval of the Bank.

8. The Bank in making loans shall provide that:

a. The foreign exchange in connection with the project or program shall be provided by the Bank in the currencies of the countries in which the proceeds of the loan will be spent and only with the approval of such countries.

b. The local currency needs in connection with the project shall be largely financed locally without the assistance of the Bank.

c. In special circumstances, where the Bank considers that the local part of any project cannot be financed at home except on very unreasonable terms, it can lend that portion to the borrower in local currency.

d. Where the developmental program will give rise to an increased need for foreign exchange for purposes not directly needed for that program yet resulting from the program, the Bank will provide an appropriate part of the loan in gold or desired foreign exchange.
IV-9. When a loan is made by the Bank it shall credit the account of the borrower with the amount of the loan. Payment shall be made from this account to meet drafts covering audited expenses.

10. Loans participated in or made by the Bank shall contain the following payment provisions:

a. Payment of interest due on loans shall be made in currencies acceptable to the Bank or in gold. Interest will be payable only on amounts withdrawn.

b. Payment on account of principal of a loan shall be in currencies acceptable to the Bank or in gold. If the Bank and the borrower should so agree at the time a loan is made, payment on principal may be in gold, or at the option of the borrower, in the currency actually borrowed.

c. In event of an acute exchange stringency the Bank may in its judgment accept for periods not exceeding 3 years at a time the payments of interest and principal in local currency. The Bank shall arrange with the borrowing country for the repurchase of such local currency over a period of years on appropriate terms that safeguard the value of the Bank's holdings of such currency.

d. Payments of interest and principal, whether made in member currencies or in gold, must be equivalent to the unites value of the loan and of the contractual interest thereon.

11. The Bank may levy a charge against the borrower for its expenses in investigating any loan placed, guaranteed, participated in, or made in whole or in part by the Bank.

12. The Bank may guarantee, participate in, or make loans to international governmental agencies for objectives consonant with the purposes of the Bank, provided that one-half of the participants in the international agencies are members of the Bank.

13. In considering any application to guarantee, participate in, or make a loan to a member country, the Bank shall give due regard to the effect of such a loan on business and financial conditions in the country in which the loan is to be spent, and shall accordingly obtain the consent of the country affected.

14. At the request of the countries in which portions of the loan are spent, the Bank will repurchase for gold or needed foreign exchange a part of the expenditures in the currencies of those countries made by the borrower from the proceeds of the loan.
IV-15. With the approval of the representatives of the governments of the member countries involved, the Bank may engage in the following operations:

a. It may issue, buy or sell, pledge, or discount any of its own securities and obligations, or securities and obligations taken from its portfolio, or securities which it has guaranteed.

b. It may borrow from any member governments, fiscal agencies, central banks, stabilization funds, private financial institutions in member countries, or from international financial agencies.

c. It may buy or sell foreign exchange, after consultation with the International Stabilization Fund, where such transactions are necessary in connection with its operations.

16. The Bank may act as agent or correspondent for the governments of member countries, their central banks, stabilization funds and fiscal agencies, and for international financial institutions.

The Bank may act as trustee, registrar or agent in connection with loans guaranteed, participated in, made, or placed through the Bank.

17. Except as otherwise indicated the Bank shall deal only with or through:

a. The governments of member countries, their central banks, stabilization funds and fiscal agencies.

b. The International Stabilization Fund and any other international financial agencies owned predominantly by member governments.

The Bank may, nevertheless, with the approval of the member of the Board representing the government of the country concerned deal with the public or institutions of member countries in its (the Bank’s) own securities or securities which it has guaranteed.

18. If the Bank shall declare any country as suspended from membership, the member governments and their agencies agree not to extend any financial assistance to that country without the approval of the Bank until the country has been restored to membership.

19. The Bank and its officers shall scrupulously avoid interference in the political affairs of any member country. This provision shall not limit the right of an officer of the Bank to participate in the political life of his own country.
The Bank shall not be influenced in its decisions with respect to applications for loans by the political character of the government of the country requesting a loan. Only economic considerations shall be relevant to the Bank's decisions.

V. Management

1. The administration of the Bank shall be vested in a Board of Directors composed of one director and one alternate appointed by each member government in a manner to be determined by it.

The director and alternate shall serve for a period of three years, subject to the pleasure of their government. Directors and alternates may be reappointed.

2. Voting by the Board shall be as follows:
   a. The director or alternate of each member country shall be entitled to cast 1,000 votes plus one vote for each share of stock held. Thus a government owning one share shall cast 1,001 votes, while a government owning 1,000 shares shall cast 2,000 votes.
   b. No country shall cast more than 25 percent of the aggregate votes.
   c. Except where otherwise provided, decisions of the Board of Directors shall be by simple majority of the votes cast, each member of the Board casting the votes allotted to his government. When deemed to be in the best interests of the Bank, decisions of the Board may be made, without a meeting, by polling the directors on specific questions submitted to them in such manner as the Board shall by regulation provide.

3. The Board of Directors shall select a President of the Bank, who shall be the chief of the operating staff of the Bank and ex-officio a member of the Board, and one or more vice presidents. The President and vice presidents of the Bank shall hold office for four years, shall be eligible for reelection, and may be removed for cause at any time by the Board. The staff of the Bank shall be selected in accordance with regulations established by the Board of Directors.

4. The Board of Directors shall appoint from among its members, an Executive Committee of not more than nine members. The President of the Bank shall be an ex-officio member of the Executive Committee.
V-4. The Executive Committee shall be continuously available at the head office of the Bank and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate on the Board shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

5. The Board of Directors shall select an Advisory Council of seven members. The Council shall advise with the Board and the officers of the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Board may request.

The members of the Advisory Council shall be selected from men of outstanding ability, but not more than one member shall be selected from the same country. They shall serve for two years, and the term of any member may be renewed. Members of the Council shall be paid their expenses and a remuneration to be fixed by the Board.

6. The Board of Directors may appoint such other committees as it finds necessary for the work of the Bank. It may also appoint advisory committees chosen wholly or partially from persons not regularly employed by the Bank.

7. The Board of Directors may at any meeting authorize any officers or committees of the Bank to exercise any specified powers of the Board except the power to make, guarantee or participate in loans. Such powers shall be exercised in a manner consistent with the general policies and practices of the Board.

The Board may by a three-fourths vote delegate to the Executive Committee the power to make, guarantee or participate in loans in such amounts as may be fixed by the Board. In passing upon applications for loans, the Executive Committee shall act under the requirements specified for each type of loan.

8. A member country failing to meet its financial obligations to the Bank may be declared in default and it may be suspended from membership during the period of its default provided a majority of the member countries so decide. While under suspension, the country shall be denied the privileges of membership, but shall be subject to the obligations of membership. At the end of one year the country shall be automatically dropped from membership in the Bank unless it has been restored to good standing by a majority of the member countries.

If a member country elects to withdraw or is dropped from the Bank its shares of stock shall, if the Bank has a surplus, be repurchased at the price paid. If the Bank's books show a loss, such country shall bear a proportionate share of the loss. The Bank shall have 5 years in which to liquidate its obligations to a member withdrawing or dropped from the Bank.

Regraded Unclassified
v-8- Any member country that withdraws or is dropped from the International Stabilization Fund, shall relinquish its membership in the Bank unless three-fourths of the member votes favor its remaining as a member.

9. The yearly net profits shall be applied as follows:
   a. All profits shall be distributed in proportion to shares held, except that one-fourth of the profits shall be applied to surplus until the surplus equals 20 percent of the capital.
   b. Profits shall be payable in a country's local currency, or in gold at the option of the Bank.

10. The Bank shall collect and make available to member countries and to the International Stabilization Fund financial and economic information and reports relating to the operations of the Bank.

Member countries shall furnish the Bank with all information and data that would facilitate the operations of the Bank.
Excellency:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

The preliminary draft of a tentative proposal for a United Nations Bank for Reconstruction and Development has now been prepared by the technical staff of the United States Treasury in consultation with the technical staffs of other departments of this Government. The draft is designedly in abbreviated form, intended to bring out at this stage only the more significant points for consideration and discussion. This tentative proposal is not an expression of the official views of this Government, but it is an indication of the views held by our technical experts. I am now sending for your examination this tentative proposal, which I hope you will submit to the technical staffs of your Ministry and your Government for their study.

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

(Signed) Henry Morgenthau, Sr.

Secretary of the Treasury.

His Excellency, Morteza Chodi-Bayat,
The Minister of Finance,
Tehran, Iran.

Enclosure.
Excellency:

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Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Ludwig Grossfeld,
Minister of Finance,
Republic of Poland,

Enclosure. HDW:EMB/jm 11/13/43

Regarded Unclassified
Excellency:

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Sincerely yours,

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

His Excellency, Rodolfo Rojas,
The Minister of Finance,
The United States of Venezuela,
Caracas, Venezuela.

Enclosure. HDW:EMB/jm 11/16/43

Regraded Unclassified
Detailed Written Statement for the Record

Stated on the record in the case of the defendant, James Smith.

I hereby state that I agree to the proposed release of James Smith from custody. Upon this agreement, I understand that the release is subject to the conditions outlined in the proposed order.

Sincerely,

[Signature]

Date: [Date]

The petition is a copy of a recommendation for a sentence without..
Excellency:

In the memorandum accompanying the tentative draft proposal for an international stabilisation fund, which I sent some months ago to the Ministers of Finance of the United Nations and the countries associated with them, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,


Secretary of the Treasury.

His Excellency, Abdulilah Hafidh,
Acting Minister of Finance,
Kingdom of Iraq,
Baghdad, Iraq.

Enclosure.
My dear Sir Jeremy:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

(Signed) Henry Morgenthau,

Secretary of the Treasury.

The Honorable Sir Jeremy Raikes, K.C.S.I., C.I.E.,
Finance Member of Governor-General's
Executive Council,
Government of India,
New Delhi, India.

Enclosure.

HDW:Emb:sh - 11/13/43
My dear Mr. Ministers,

In the memorandum accompanying the tentative draft proposal for an international stabilisation fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said:

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Sincerely yours,

/\ J. M. Morgenthau, Jr.
Secretary of the Treasury.

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

Enclosure

Regraded Unclassified
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency, Luis Calvo,
The Minister of Finance,
The Republic of Bolivia,
La Paz, Bolivia.

Enclosure

Regraded Unclassified
Section V.

Declaratory Proclamation:

On December 14, 1943, the President of the United States issued a Declaratory Proclamation in the capacity of the President of the United States and President of the Councils of the Allied Nations, in relation to the following:

The President, in his capacity as the President of the United States and President of the Councils of the Allied Nations, and for the purpose of furthering the common interests of the United Nations and the advancement of the cause of world peace, hereby proclaims that:

The United Nations shall be dedicated to the maintenance of peace and security.

In the meantime, the Declaratory Proclamation shall remain in effect until such time as the United Nations shall be established.
My dear Mr. Ambassador:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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Sincerely yours,

[Signature]

Secretary of the Treasury.

The Honorable K. Varvarese,
Special Envoy of the Kingdom of Greece,
Royal Greek Government,

Enclosure.

[Date]

[Handwritten notes]

Regraded Unclassified
Excellency:

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency, Camille Gott,
The Minister of Finance,
Kingdom of Belgium,
c/o Belgian Embassy,

Enclosure

[Date: Nov 2, 1943]
[Signature]

[Handwritten note: 11/12/43]
My dear Mr. Minister:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

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

Enclosure
NOV 22 1943

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Sincerely yours,

[Signature]

Secretary of the Treasury.

The Honorable J. L. Ilsley,
Minister of Finance,
Dominion of Canada,
Ottawa, Canada.

Enclosure

Regarded Unclassified
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency, Arturo Matte Larraín,
The Minister of Finance,
The Republic of Chile,
Santiago, Chile.

Enclosure
Excellency:

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Sincerely yours,

[Signature]
Secretary of the Treasury.

His Excellency, Liq. Yilma Deressa,  
Vice Minister of Finance,  
Addis Ababa, Ethiopia.

Enclosure
Excellency!

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Sincerely yours,

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

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

Enclosure

J. H. Had
11/15/43
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency, J. van den Broek,
Minister of Finance,
Kingdom of the Netherlands,
J. J. Stratten House,

Enclosure

[Date and additional information]
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

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

Enclosure

Regarded Unclassified
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

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

Enclosure.

[Date]

11/12/43
Bequest of the Treaty

26/11/51

Excessive Force

I hope you can see some advantage in adopting the \( a \) approach on the problem in the manner described above and that you will see some advantage in adopting the \( b \) approach as well. If you need any other information on the matter, I am happy to provide that.

Another thing I would like to bring to your attention is the necessity of maintaining a balance between force and diplomacy in any international conflict. I believe that the combination of both approaches is essential for achieving a lasting peace.

I hope this information is helpful. If you have any further questions, please do not hesitate to ask.

Sincerely,

[Signature]
Excellency:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent some months ago to the Ministers of Finance of the United Nations and the countries associated with them, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

The preliminary draft of a tentative proposal for a United Nations Bank for reconstruction and development has now been prepared by the technical staff of the United States Treasury in consultation with the technical staffs of other departments of this government. The draft is designedly in abbreviated form, intended to bring out at this stage only the more significant points for consideration and discussion. This tentative proposal is not an expression of the official views of this government, but it is an indication of the views held by our technical experts. I am now sending for your examination this tentative proposal, which I hope you will submit to the technical staffs of your Ministry and your Government for their study.

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

[Signature]
Secretary of the Treasury

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

Enclosure.  HDW:EMR/jm  11/16/43
My dear Mr. Minister:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

[Signature]

Secretary of the Treasury

Colonel Andrew Soriano,
Minister of Finance,
Commonwealth of the Philippines,
Rita Tower, Park Avenue,
New York, New York.

Enclosure. [Date]/43 11/13/43
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

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

Enclosure
Excellency,

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

1/ H. Morgenthau, Jr.
Secretary of the Treasury

His Excellency, Ivo Klein Stein,
Minister of Finance in the Government
of Yugoslavia,
Legation of Yugoslavia,
Cairo, Egypt.

Enclosure. HNM: HJRH 11/16/43

Regarded Unclassified
Excellency,

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent some months ago to the Ministers of Finance of the United Nations and the countries associated with them, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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Sincerely yours,

[Signature]

Secretary of the Treasury

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

Enclosure. HDN/EMB: jm 11/16/43
Excellency:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

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

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

Enclosure

RDW:EMB:lr 11/13/43
Secretary of the Treasury

Excerpt:

I hope to send you soon some further material supporting the proposal as soon as I have completed the first draft. If you think any of this material of interest to you, I will send it promptly. In any event, I am preparing the material for the Secretary of the Treasury, and would appreciate your suggestions and comments on it as you see fit.

After you send me your comments, I will study the matter further.
Excellency,

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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We hope to send you soon some further material amplifying and discussing many of the provisions in the outlined draft proposal.

Sincerely yours,

[Signature]

Secretary of the Treasury

His Excellency, Paul Hartmann,
Minister of Finance,
Kingdom of Norway,
Kingston House, Princes Gate,

Enclosure

[Address and Date]
Excellency:

In the memorandum accompanying the tentative draft proposal for an international stabilization fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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Sincerely yours,

[Signature]

Secretary of the Treasury

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

Enclosure

RNW:MB:lr 11/13/43
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury

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

Enclosure.

HDW:EMB/JM
11/13/43
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Sincerely yours,

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

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

Enclosure. HDW:EMB/JM 11/13/43
Excellencies:

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Sincerely yours,

[Signature]
Secretary of the Treasury

His Excellency, Hector Alvarez Cina,
The Minister of Finance,
The Oriental Republic of Uruguay,
Montevideo, Uruguay.

Enclosure. HDW:EMB/Jm 11/16/43
Excellency!

In the memorandum accompanying the tentative draft proposal for an international stabilisation fund, which I sent to the Ministers of Finance of the United Nations some months ago, I said: "It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development."

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Sincerely yours,

[Signature]

Secretary of the Treasury.

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

Enclosure
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Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency, Carlos Lleras Restrepo,
The Minister of Finance,
The Republic of Colombia,
Bogota, Colombia.

Enclosure

[Date: 11/16/43]
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency,
Francisco de Paula Gutiérrez Ross,
The Minister of Finance,
The Republic of Costa Rica,
San José, Costa Rica.

Enclosure

192

Regarded Unclassified
Excellency:

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Sincerely yours,

17th N. Morgenthau, Jr.
Secretary of the Treasury.

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

Enclosure

[Handwritten notes]

Regraded Unclassified
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Sincerely yours,

[Signature]

Secretary of the Treasury.

His Excellency, Ladislav Fuksrabend,
The Minister of Finance,
The Republic of Czechoslovakia,
Fursecroft, Brown Street,

Enclosure
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Sincerely yours,

[Signature]

Secretary of the Treasury

His Excellency, J. Purdy Pichardo,
The Minister of Finance,
Dominican Republic,
Santo Domingo, Dominican Republic.

Enclosure
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Sincerely yours,

19/J. Morgenthau, Jr.
Secretary of the Treasury

His Excellency, Rodrigue Sanson,
The Minister of Finance,
The Republic of El Salvador,
San Salvador, El Salvador.

Enclosure. DNM:MB/JM 11/13/43
Excellency:

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Sincerely yours,

[H. Morgenthau Jr.]

Secretary of the Treasury.

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

Enclosure

HW:EMBB 11/16/43
Excellency:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

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

Enclosure

HW:EMB:FF 11/16/43
Information received up to 10 a.m. 23rd November, 1943.

1. Home Waters

   21st. One of H.I. Destroyers slightly damaged in S.W. Approach during attack by Heinkel 177. 2 glider bombs shot down.

   Mediterranean

   Remaining British have now been evacuated from Sams with 1,000 Greeks, and 400 Italians. Most of prisoners captured in Sams and 186 garrison have reached Allied Base.

   Anti-Submarine

   21st. A U-boat probably sunk in S. Approaches by a Destroyer and a Frigate.

2. Mediterranean

   Italy Operations still hampered by weather. Our patrols report successful engagements with enemy forward elements in upper reaches of River Samoch from CASTEL DI S. ANGELO (15 m. E. Isola) for about 8 miles to the Northwest. Further progress has been made along road South of AIRENNA (5 miles S.S. of CASTEL DI S. ANGELO).

3. Air Operations

   Western Front


   Italy

   21st. 85 Marauders (8,26) dropped 41 tons on CIVITAVECCHIA town and harbour, 41 tons on Taranto Bridge (30 miles S.S. of Molassana), 27 tons on railway centre at CHIBBAI (23 miles S.W. of Locri). Fighters flew 94 sorties against strong points in the MARGANIT area.

   Albania

   21st. Spitfires attacked targets S.S. of DURAZZO.

   Crete

   21st/22nd. 9 Halifaxes and 4 Liberators (5,24) bombed HIKARION.

   Burma

   21st/22nd. Wellingtons and Liberators (5,4) dropped 32 tons on Sadani (20 miles S.S. of Mandalay).

Telegram No. 383 not sent to Washington.
MEMORANDUM FOR SECRETARY'S DIARY

At 9:30 a.m. Wednesday, November 24, 1943, there was a meeting in Secretary Hull's office to discuss the freezing of Argentina. The following were present:

From the State Department
- Secretary Hull
- Assistant Secretary Berle
- Mr. Collado
- Mr. Duggan
- Mr. Bonsal

From the Treasury Department
- Secretary Morgenthau
- Mr. Paul
- Mr. White
- Mr. Pehle

Secretary Morgenthau handed to Mr. Hull a letter (Exhibit A attached) which describes recent transactions in Argentine accounts and the continued efflux of Argentine gold from the United States. The letter also refers to the fact that Treasury has not received a reply to its memorandum to the Secretary of State of November 12, transmitting a proposed reply to the inquiry of Congressman Schiffler, who has since introduced a bill (H. R. 3696) authorizing the seizure of property being used to aid any nation at war with the United States. Secretary Hull read Secretary Morgenthau's letter aloud.

Secretary Morgenthau then inquired whether Under Secretary Stettinius was available since certain of his comments would be critical of Stettinius. Stettinius was sent for but was found to be at home ill and Secretary Hull asked that we proceed in his absence. Secretary Morgenthau then said that he thought that the cable (No. 1644, October 24) which Stettinius sent to Hull at Moscow was very unfair in stating that the purpose of the Treasury in advocating the freezing of Argentina was the upsetting of the present Argentine Government. Secretary Morgenthau made it clear that the Treasury was advocating the freezing of Argentina on economic warfare grounds and the question of whether any government should be overthrown was for the Secretary of State to determine. Secretary Hull then said: "I would like to see the present government of Argentina overthrown."
Secretary Morgenthau then summarized the case for freezing Argentina and pointed out that the facts were in the possession of the State Department and Ambassador Armour. He pointed out that Argentina had made specific commitments at the Rio conference held in January 1942 and at the Washington conference held in July 1942, and that Argentina had not lived up to its commitments. When asked to comment on the matter, Mr. Berle said that freezing of Argentina would constitute but a minor gain on the economic warfare front whereas its political aspects were quite disturbing. He said that several Latin American governments had expressed themselves as being very worried about our taking strong action against Argentina. Secretary Morgenthau then pointed out that our failure to act against Argentina when the other Latin American governments in Argentina were cooperating with us had a bad effect on the other governments.

Assistant Secretary Berle then said that the situation had not worsened any in Argentina but that the Argentine Government had merely continued to fail to take affirmative measures to support our war effort. Peble pointed out that Armour in his recent cables had made it quite clear that while the Argentine Government for sometime has been aiding the Axis by failing to cooperate with the United States in economic warfare matters, more recently the Argentine Government has been actively aiding the Axis by making loans to German business enterprises through the banks which it controls, insisting that Argentinians deal with such business enterprises, giving large government contracts to notorious German concerns, etc.

At this point Secretary Hull said that perhaps we should consult with the other principal Latin American Republics to see if they would be willing to publicly approve this Government's freezing Argentina and to the extent possible take similar action themselves. Mr. Hull said he felt this would be worth doing, even though he was afraid the Latin American governments would "duck out" of taking any such measures. There was some discussion as to whether the proposal to be put up to some of the other Latin American countries should include giving the Argentine Government and perhaps the Central Bank a general license. Secretary Morgenthau suggested that the proposition which should be
put up to such governments would be to treat Argentina just as the United States is treating the European neutrals who have been frozen and then given general licenses.

Collado then said that the State Department had called Merle Bohan, Economic Counsellor of our Embassy in Argentina, to the United States for consultation and that Bohan, who had advocated freezing a few weeks ago, now felt that the time had passed for such measures. Bohan advocated instead that we tell the Argentine Government that Treasury would consider unfreezing Banco de la Provincia and the Banco de la Nacion if the Argentine Government would give this Government broad undertakings on the economic warfare front. Bohan does not believe the Argentine Government will give us such undertakings, in which case the State Department would be prepared to ask Treasury to introduce a monitoring system on Argentine assets in the United States. Collado said that the monitoring system would accomplish the same ends as freezing Argentina with a general license to the Argentine Government and possibly a general license on trade. Secretary Morgenthau said that Treasury would be glad to give State's suggestions on a monitoring system consideration but that just as the decision on the political aspects were for State, we assumed that State would want our views as to the type of freezing control which should be applied.

There was then some discussion of whether the British would be willing to take parallel action against Argentina. Mr. Bonsal said he had discussed the matter with British representatives here and the British had made three points:

1. They would feel very badly if we froze Argentina without consulting them, since the British say they have been trying to follow a parallel policy with respect to Argentina.

2. In view of the exchange controls now applicable in the United Kingdom on Argentine assets there would be little to be gained by Britain taking similar action.
3. The British do not believe there would be any substantial gains on the economic warfare front by the United States freezing Argentina.

Secretary Morgenthau said that it would be helpful if the matter were discussed a little more frankly, at which point Mr. Bonsal said he agreed with the British position. Secretary Morgenthau added that he would like to see the matter put up to the British in writing with a request for a written reply so that the record will show whether the British are willing to follow a parallel policy in this matter.

As the matter was left, Secretary Hull concurred in approaching the principal Latin American countries and the British on the proposal that Argentina be frozen and general licenses be issued on the same basis as is the case with Portugal, Spain, and the other European neutrals. If we are not able to obtain any concurrence in such action, particularly from the other Latin American countries, we can then canvas what action should be taken. We will also examine the monitoring system proposed by State. Collado handed Pehle several memoranda describing the proposed monitoring plan and also indicating in some detail the basis for the State Department's position. Copies of such memoranda are attached (Exhibit B).
My dear Cordell:

Since writing you on November 12, 1943, three further shipments of gold of approximately $1,250,000 each, held by the Argentine Central Bank in this country have left the United States bound for the Argentine. This makes a total efflux from the United States since November 4, 1943, of approximately $6,250,000 of Argentine gold.

Subsequent to the transfers reported in my memorandum of November 8, 1943, to the Acting Secretary of State, there has been a flight of $2,178,000 from Argentine accounts to the accounts of other countries, mostly to Uruguay but also to Sweden, Panama, Chile, and Colombia, and sums aggregating $9,785,000 have been transferred to the account of the Argentine Central Bank from other Argentine banks.

Since my memorandum to you of November 12 transmitting a copy of a letter from Congressman Schiffer on Argentine gold together with a proposed reply, Congressman Schiffer has introduced a Bill, H. R. 3696, a copy of which is attached. This Bill would authorize the seizure of certain property "which is being used or which is about to be used, to aid any nation at war with the United States" and is obviously addressed to the Argentine situation. I think it would be advisable to make a prompt reply to Mr. Schiffer on the inquiry which he has made, and I should appreciate having your comments on the reply proposed by the Treasury.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.
November 24, 1943

My dear Cordell:

Since writing you on November 12, 1943, three further shipments of gold of approximately $1,250,000 each, held by the Argentine Central Bank in this country have left the United States bound for the Argentine. This makes a total efflux from the United States since November 4, 1943, of approximately $6,250,000 of Argentine gold.

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Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.
As we left the meeting at State this morning Collado handed Pehle several memoranda on the Argentine situation which had been prepared for internal use in State. Collado handed these documents to Pehle in order to enable Treasury to get a better idea of the monitoring system proposed by the State Department. The documents are very interesting on several grounds and you will want to read them over. We are studying the proposed monitoring system very carefully and will let you have our views with respect to it.

You will be particularly interested in the note which appears on one of the documents in Mr. Berle's handwriting reading as follows:

"I should agree with this* if Treasury will settle on that basis. But it ought to be a genuine acceptance, - not a mere step toward another dive into a tangled thing."

The original documents have been returned to Collado.

(" - Berle is referring to the proposed monitoring system.)
November 18, 1943

U - Mr. Stettinius:

S - The Secretary:

(Copies to A-A, A-B, PA/LD, RA - Mr. Bonsal, PD and WT)

Argentina - Foreign Funds Control

Reference is made to my memorandum of November 8 and the joint memorandum of Messrs. Bonsal, Duggan and myself of November 15 recommending a special monitoring system of Argentine international transactions. I have discussed these matters in detail with Mr. Bohan, Economic Counsellor of the Buenos Aires Embassy, who has pointed out that our failure to take further action regarding the Banco de la Nación and the Banco de la Provincia, which have been ad hoc blocked, invites retaliation by Argentina much more than would more generalized action against Argentine transactions. He has provided the attached memorandum presenting a special solution to the problem of the two banks.

I should now like to recommend, with his concurrence, the following modified program:

A. Authorize Ambassador Armour to inform the Foreign and Finance Ministers that the Treasury is willing to consider removing the two banks from the list of Special Blocked Nationals but requests that the Argentine Government be more specific as to the steps which it is willing to take in order to prevent the recurrence of types of transactions which have in the past tended to aid the Axis. Specifically, would the Argentine Government be willing to guarantee:

1. In General
   a. That no remittances would be made from Argentina to Axis and Axis-occupied countries or to third countries in cases where the beneficial interest resided in Axis

Regraded Unclassified
Axis or Axis-occupied countries.

b. That no credits or overdrafts would be extended to firms in Argentina whose activities are inimical to the security of the hemisphere.

c. That information would be made available concerning the beneficial ownership of dollar balances and securities held in the name of Argentine banking and other financial institutions, especially any holdings for nationals of Axis or Axis-occupied countries.

2. That the two banks, in their character as private banks, would give, through their United States correspondents, the necessary commitments to the Treasury with respect to remittances abroad and credits and overdrafts to Proclaimed List nationals.

B. If Argentina turns down this proposal or delays unduly in considering it, proceed with the positive program outlined in the memorandum of November 13:

"(2) The Treasury, after agreement with the Department as to procedure, institute a special monitoring system of Argentine international transactions designed to catch and subject to special blocking action those international financial transactions which may be of benefit to the enemy. Under such a system banks would be instructed:

"a. To interpose no hindrance whatever to commercial transactions and transactions incident to commerce.

"b. To interpose no obstacle to Argentine transactions which merely involve transfers of funds within the United States.

"c. To
"(3) The special blocked status of the Banco de la Nacion and the Banco de la Provincia be retained but commercial banks be authorized to permit all commercial transactions and transactions incident to commerce."

I understand that the Secretary is planning to discuss this whole matter with the Secretary of the Treasury. If the above recommendations are thought to have merit, I should like to be authorized to discuss, at an appropriate time, their mechanics with Mr. Peake of the Treasury.

Emilio G. Collado

EA/C:EGC:ja
MEMORANDUM

TO: Mr. Collado

FROM: Merwin Bohan

With reference to point 3 of the recommendations in the memorandum "The Argentine Situation" of November 13, 1943, the following suggestions are submitted for your consideration.

As you are well aware, both the Department and the Embassy were always opposed to the ad hoc blocking of the Nación and Provincia. The Embassy fully realized the situation which brought about the Department's approval of the measure taken by the Treasury in this regard. However, we are in a rather weak position with respect to these banks and, in view of the "guarantees" which the Argentine Government is prepared to give us, it is essential that an effort be made to get out of the situation we are in as speedily and effectively as we can.

We cannot merely eliminate these institutions from the List of Specially Blocked Nationals. Do you not think that it would be wise to authorize the Ambassador to inform the Foreign Minister along the following lines:

That the Treasury Department is willing to consider the de-listing of the two banks but requests that the Argentine Government be more specific as to the steps which it is willing to take in order to prevent the recurrence of transactions which have tended to aid the Axis in the past. Specifically, would the Argentine Government be willing to guarantee: (a) that no remittances would be made from Argentina to Axis and Axis-occupied countries or to third countries where the beneficial interest resided in Axis or Axis-occupied countries; (b) that no credits or over-drafts would be extended to firms in Argentina whose activities are inimical to the security of the hemisphere; (c) that, upon request, information would be furnished concerning the beneficial ownership of accounts held in the name of Argentine banking
banking or other financial institutions; (d) that the Nación and Provincia, in their character as private banks, would give, through their American correspondents, the necessary commitments to the Treasury Department with respect to remittances abroad and credits and overdrafts to Proclaimed List nationals. Incidentally, I would not give two cents for any commitments made by the present Argentine Government, but if the commitments are made and then not carried out we would be in an excellent position to again consider the question of general freezing. It would seem advisable, if the Argentine Government agrees to give these commitments, to follow its specific request that the two banks be de-listed before the commitments are formally entered into.

November 16, 1943

MB: ja
November 13, 1943.

S:
The Secretary

THE SITUATION

I. Political Background.

It is now clear that the June revolution was motivated by internal considerations rather than any desire to change the Argentine Government's foreign policy. The officers who engineered the revolution were the leading members of a military organization known as G.U.N., a group of extreme Nationalists. This group opposed the presidential candidacy of Patron Costas, a Moderate, who had received the blessing of President Castillo and who was to have been nominated on the day of the revolution as the presidential candidate of the National Democratic Party. The present Government composed almost entirely of military men has endeavored to strengthen its position by repressive measures of the familiar totalitarian pattern. The undisputed leader under Ramirez is Colonel Juan Domingo Peron, now Under Secretary of War. The Government professes to be protecting the country from corrupt, self-seeking exploitation of the professional politicians. Its attitude has been anti-American, pro-Nazi and chauvinistic. There has also been a strong clerical influence.

Following the resignation of Admiral Storni as Foreign Minister, three other Cabinet members who were considered friendly towards the United States were replaced by Argentine Nationalists. Gustavo Martinez Kivria was appointed Minister of Justice and Public Instruction; Cesar Amezquita, Minister of Finance; and Captain Ricardo Vago, Minister of Public Works. The latter's appointment is the most favorable from our point of view, as Vago enjoys a good reputation and has never been involved in politics. General Farrell has been named Vice President and General Gilbert has replaced Foreign Minister Storni.

The Government gained initial popularity among the people by lowering public utility rates and adopting other measures.
measures designed to reduce the costs of living for the working people. In recent months, however, the repressive measures of the Government, including closing of universities, press and radio censorship, the ban on certain Jewish newspapers, arrests of labor leaders and the cancellation of elections have alienated large sections of the Argentine people. The dismissal of a considerable number of university professors for having indicated their disagreement with the Government's policy and the Nazi-patterned tactics adopted against the Jewish press have evoked criticism in the other American republics, many of which have been outspoken in their condemnation of the repressive activities of the present Argentine Government. Our own interests appear to be affected by a recent proposal to replace all foreign employees of national, provincial and private telecommunications systems in Argentina with native Argentines since the key managerial employees of these companies are for the most part American or British.

More recently, and especially since the triumph of the extreme Nationalistic group within the Government, there have been signs that the repressive measures above described have tended to shake the prosperous stability of the Argentine people. Student riots have caused the closing of universities. Labor is unsettled with a general strike being agitated. The prospects of an overturn in the near future are not bright.

II. Freezing of Argentine Assets.

In May 1942, the Treasury in a memorandum recommended that all Argentine funds in the United States be frozen and that a general license be issued for purely commercial transactions. This recommendation was based on Argentina's failure to collaborate with the other American republics.

The Department opposed the proposal of the Treasury Department on grounds of foreign policy and because it believed the result of the proposed action would be misinterpreted in the other American republics and would alienate our friends in the Argentine. The President concurred in the Department's views.
The Treasury has repeatedly renewed its proposal. On October 20, 1943, Ambassador Armour suggested that since Señor Prebisch, Director of the Banco Central, who had cooperated with us, was being forced out of the Banco Central, together with certain friendly officials of the Ministry of Finance, the Treasury Department would be justified in freezing Argentine funds.

The Treasury, fully supporting the views expressed by Ambassador Armour, maintained that the freezing of Argentine assets was the natural follow-up to Secretary Hull's letter to Foreign Minister Storni. It felt that a dramatic step by us taken at this time would crystallize the opposition and perhaps give Argentina a genuinely pro-Allied Government.

The Department maintained the position, contrary to the views of the Treasury and of Ambassador Armour, that freezing would be undesirable because:

(1) It would not further our economic warfare to any marked extent.

(2) The political effect of the measure might or might not be helpful to our immediate interests; it would, however, be considered both in Argentina and, more importantly, in the other American republics as an abandonment by us of the non-intervention policy upon which, the inter-American system, with all its positive benefits, rests.

(3) Cooperation of other American republics as well as parallel British action would be desirable in the event the measure were taken but seem difficult of attainment. The British financial situation vis-a-vis Argentina is very different from ours.

(4) Retaliatory measures open to Argentina might adversely affect certain phases of our vital procurement programs as well as cause harm to other legitimate United States interests in Argentina.

The first two of the above reasons were the real basis of the Department's position.
The President, on October 24, supported the Department's recommendation but asked that the matter be reviewed every week or so.

The Treasury was so anxious to secure the freezing that on October 25, it "leaked" a story that this action was contemplated, in the hope that this would force action.

Although no very large transfers of Argentine assets from the United States to other countries took place, there were transfers in considerable amounts from the accounts of Argentine banks with various New York banks to the account of the Central Bank of Argentina with the Federal Reserve Bank of New York. These resulted from the calling in by the Central Bank, in accordance with its legal powers, of the dollar balances of a large number of Argentine banks (i.e., dollar balance of the latter with New York banks were converted into dollar balances with the Central Bank.)

Two of the Banks involved, the Banco de la Nación (a Government-owned) and the Banco de la Provincia (semi-Government) were involved to the extent of $9,500,000 in the latter type of transaction. Since these banks were generally though perhaps superficially regarded as "bad actors", the Treasury, with the Department's consent, on October 28, placed them on the list of specially blocked nationals.

On October 29, the President again upheld the Department's view. The Treasury, however, continues to agitate this issue although there has been a virtual drying up of financial transactions of an even remotely suspicious character.

It should be recorded that the Argentine Government is pursuing a policy of gradually removing to Argentina some $300,000,000 in gold from the United States. By the end of November $7,500,000 will have moved and sailings have been arranged for the further shipment of $5,000,000. Shipments are limited by risks which will be assumed by insurance companies on any one vessel and by the number of vessels.
At a special meeting of the Departmental Committee on Political Planning held on November 9, and attended by Messrs. Panovelsky, Hornbeck, Murray and Duggan, the course taken and the position adopted by the Department to date were approved.

Recommendations.

It is recommended that:

(1) No general freezing of Argentine assets and transactions be undertaken at this time.

(2) The Treasury, after agreement with the Department, issue a special monitoring system of Argentine international transactions designed to catch and subject to special blocking action those international financial transactions which may be of benefit to the enemy. Under such a system banks would be instructed:

a. To interpose no hindrance whatever to commercial transactions and transactions incident to commerce.

b. To interpose no obstacle to Argentine transactions which merely involve transfers of funds within the United States.

c. To require evidence as to the purposes of all other types of transactions which means, in effect, Argentine international transactions of a purely finance character. To facilitate rapid monitoring and speedy approval of legitimate transactions, the Federal Reserve Bank of New York should be generally authorized to make such examination and grant such approval, and possibly later such general authorization on at least limited classes of general transactions might be extended to the banks themselves.

(3) The special blocked status of the Banco de la Nacion and the Banco de la Provincia be retained but commercial banks be authorized to permit all commercial transactions and transactions incident to commerce.

Philip W. Bonsal
Laurence Duggan
Emilio G. Collado
November 6, 1945

WT - Mr. Russell:
PA - Mr. Bonsal:
PA/LD - Mr. Duggan:
A-A - Mr. Aucheson:
A-B - Dr. Berle:
U - Mr. Stettinius:

Argentine Financial Control Situation

The situation today regarding the Argentine financial picture may be summarized as follows:

1. We have specifically blocked the Banco de la Nación and the Banco de la Provincia.

2. All other Argentine transactions are going forward.

3. The Secretary of the Treasury has sent a strong letter to the Department requesting full freezing.

4. A reply to the Secretary mainly taking the position that the matter should await the return of the Secretary of State is being considered in the Department.

5. Ambassador Armour continues to recommend freezing and has had a discussion with the Argentine Minister of Finance and Foreign Minister specifically about the two blocked banks and also touching on the general situation.

6. Although some evidence exists on both sides, the case for specific blocking of the two banks in the absence of any other financial controls is at best not very strong.

7. Ambassador
(7) Ambassador Armour reports that the Minister of Finance has indicated that banks would be willing to supply United States authorities with full information regarding any operation. It is not entirely clear whether this refers to all operations of Argentina or merely those of the two blocked banks.

I am still of the opinion that much less importance should be ascribed to this Argentine freezing proposal than either the Treasury or some quarters of the Department attach to it. Nevertheless, it is obviously desirable that the issue be settled in some effective way. It is accordingly suggested that the following program be put into effect:

1. The special blocking of the two banks be discontinued.

2. In view of the statement of the Argentine Minister of Finance, the Treasury institute a special monitoring system of Argentina international transactions designed to catch and subject to special blocking action those international financial transactions which may be of benefit to the enemy. Under such a system banks would be instructed:

a. To interpose no hindrance whatever to commercial transactions and transactions incident to commerce.

b. To interpose no obstacles to Argentine transactions which merely involve transfer of funds within the United States.

c. To require evidence as to the purposes of all other types of transactions—which means, in effect, Argentine international transactions of a purely financial character. To facilitate rapid monitoring and speedy approval of legitimate transactions, the Federal Reserve Bank of New York should be generally authorized to make such examination and grant such approval, and possibly to extend general authorization on at least limited classes of such transactions might be extended to the banks themselves.

End
This proposal would appear to meet the legitimate needs of the various parties to the discussion. It would provide for the effective control of all of those financial transactions which the Embassy and the Treasury have objected to on the grounds of economic warfare. From the political point of view it would avoid the objections of classing Argentina with the European neutrals and breaking down the inter-American system. At the same time, it would be placing Argentina in a special category not warranted by Argentina’s position in these matters. From the Embassy’s and the Treasury’s point of view, this measure will actually accomplish everything that the general freezing accompanied by a general license would. It would not have the initial psychological effect of the general freeze although astute financial writers might soon detect that it was not remarkably different in effect.

Emilio G. Collado
Fred Smith

The Secretary

November 24, 1943

I like the approach for my tax talk. I think the one I like the best is where you say that the soldier would get little satisfaction out of the fact that through Congress trying to reduce the appropriation of the War Department, they feel that they will not have to increase the taxes, and in that way leave the increased debt burden for the soldier to bear when he returns from the war. I think that this is so good that it should be repeated at the end and emphasized.

The part which is not in this speech, and which I would like to have in it, if possible, is to show the group who will be free from tax if we lift the Victory Tax from them, how much taxes they now pay the federal government on their cigarettes and other federal taxes will be fixed as a separate section. I think I mentioned that yesterday. Anyway, I would like to have it on the group who will be free from taxes -- I think that represents nine million people -- whatever the group is -- how much taxes will they pay in excise taxes -- federal excise taxes, gasoline, and so forth. I think this is terribly important, and I hope that Blough has the figure, and you can get it and include it in my talk.
Fred Smith

I think the end is a little involved. I like the first two-thirds. I think that is excellent, and I'll talk to you about the whole thing as soon as I get back from seeing Cordell Hull today. Finishing.
TAXES

Present: Mr. Bell
Mr. Haas
Mr. Lindow
Mr. Blough
Mr. Tickton
Mr. Surrey
Mr. Paul
Mr. Smith
Mr. White
Mrs. Klotz

H.M.JR: Now, where were we? Mr. Bell, would you report first, please?

MR. BELL: I haven't anything from the Budget. I have been in touch with them, but they worked last night on a statement and Wayne Coy said he thought he would have something to show me right after lunch. They are revising their estimates; they are attempting to get out a very short budget summation.

H.M.JR: By Friday?

MR. BELL: Yes, Friday morning. And George is working on the receipt end to see whether or not we want to revise those.

H.M.JR: Are your boys brought up to date?

MR. PAUL: Yes, I know about that.

H.M.JR: I think that would be most helpful. Now, is that all? You ride that hard. You (Bell) are going away tonight?
MR. BELL: I will be back Friday morning. I am leaving about five o'clock.

MRS. KLOTZ: No significance, really. (Laughter)

H.M.JR.: What happened?

MRS. KLOTZ: I was sort of talking to Harry, just with my eyes.

Mr. WHITE: She was laughing at a joke I didn't tell her.

MRS. KLOTZ: It has nothing to do with this. I am sorry.

H.M.JR.: Blough, how are you coming along?

MR. BLOUGH: The easiest job you asked for is done. We always do the easiest ones first. That is on the sales tax. The income tables are rapidly approaching completion on the first time around, and I think we will have something for you on that. This is sales tax, here. (Mr. Blough handed the Secretary chart entitled "Ten Percent Federal Retail Sales Tax," copy attached.)

H.M.JR.: Exemptions?

MR. BLOUGH: Yes.

H.M.JR.: If you put a ten percent tax--

MR. BLOUGH: Here we have a ten percent retail sales tax. The total yield on the estimates now available would be six point three billion, two point four billion is food; that would bring your total down to three point nine billion, shown on the left, accumulative totals. If medicine were exempt it would be another two hundred million dollars, bringing the total down to three point seven. If clothing were exempt, it would bring it down another one billion one hundred million dollars, leaving two point six.
Then there is a lot of stuff, principally liquor and tobacco, already taxed under excise taxes, which can be changed any way you may want to change them; the Congress way want to, and therefore not need a sales tax.

If those were exempt you would have one point two billion dollars off, leaving one point four billion dollars. That includes everything else. We could break it down still further, but it seemed more effective not to - household furniture, business equipment subject to tax, certain services, and so forth, are in the one point four.

H.M.JR: Has this ever been gotten out this way?

M.R. BLOUGH: We have never charted it this way, no.

H.M.JR: It is good.

M.R. PAUL: This raised the basic point. I think it is a good chart, although it is a pretty simple thing to get across, but there is a basic point: Why do you want to talk about the sales tax?

H.M.JR: Oh, we have to.

M.R. PAUL: I don't know. I certainly don't think you have to. The question is whether you should.

H.M.JR: They are going to bring it up.

M.R. BELL: Senator George said if the Treasury wanted any more taxes they would have to figure the sales tax.

M.R. PAUL: A lot of people have said that.

H.M.JR: I had Robertson in here yesterday. He said, "The one thing, Mr. Morgenthau, you have got to be prepared to answer is the question on sales taxes. You have just got to be prepared."
MR. PAUL: I agree that you have to be prepared. That isn't my point at all. My point is whether you talk about it in your statement.

H.M.JR: I think so. I don't see how you can avoid talking about it.

MR. WHITE: What is the harm in talking about it if you take the position that the yield will be very small unless you include items which are completely unjustified?

MR. PAUL: Well, I don't think there is a very strong movement for the sales tax, and you make a big issue out of something that may be reasonably dead.

H.M.JR: I differ; if you read these editorials in the papers--

MR. PAUL: I am not going by them. They have had the same editorials for two or three years.

H.M.JR: Gaston has seen the success of these important columnists, and they all bring up the sales tax, every one.

MR. PAUL: Sure they do, but--

H.M.JR: Anyway, I don't think it has been answered; I don't think we have given a good answer. I will put it this way, that the answer hasn't had a good play in the newspapers. I feel that I have got to be prepared to answer it, and I would like to throw this into their teeth.

MR. BELL: I think the impression has gone out that a ten percent sales tax will finance this war, and you will get all kinds of money. I think that is unfortunate.

MR. PAUL: If you are going to talk about the sales tax, then let's talk about it all along the line, not just the question of the revenue from it. There are a lot of other very important arguments against it.
H.M.JR: I would like to have them because what's his name - Robertson - was pushing me as to the advantages of the sales tax against other methods of revenue; I ran out of arguments. The thing that I want somebody to answer for me is, when you exempt all these other things, what is left? Why is the sales tax any worse than excise taxes?

MR. BLOUGH: That throws it over into the Administrative field. It is worse because you set up a brand new set of machinery with millions of new customers that you have to deal with to get a little more money, when the present excise tax is, well, organized - already administered - and with a relatively small number of persons or taxpayers, could yield about the same amount of money.

H.M.JR: What I would like to do Saturday morning is to have a seminar on the sales tax. Somebody in the shop could have thought of being the devil's advocate for it, and then see the answers that develop. I haven't read about this very extensively. I would like to spend a couple of hours on it Saturday morning.

MR. PAUL: That is fine. If you are going to talk about it, we have got to talk about it on all fronts, the inflationary front - the fact that it is definitely inflationary.

MR. WHITE: I think that is full of dynamite.

MR. PAUL: Because he didn't know what he was talking about. You don't get in a mess if you know your arguments.

H.M.JR: I don't want to spend a lot of time on this thing, but I don't see why a sales tax on these articles is any more inflationary than if you--

MR. PAUL: Because the sales tax hits the things that are in the cost of living index; whereas the excises are carefully selected from articles that aren't.

H.M.JR: None of the excises?
MR. PAUL: Practically none of them, to any extent.

H.M. JR: The fellow at a thousand dollars a year doesn't know what an index is. All he knows is that he is out of pocket. I want somebody to explain to me why the increase which is all passed on to consumers in excise taxes is less inflationary than a sales tax?

Mr. BROUGH: I would say that aside from, say, household furniture, which is very widely purchased as a family necessity - there may be one or two other things - the chances are that "All other" would not be particularly more inflationary than the excise; I think it would be somewhat more. But it is the food, clothing, medicine, those things, that enter into the price index and enter into Mr. Commonman's every-day cost of living that make the trouble.

Mr. PAUL: And upon which all our wage stabilization is based - fifteen percent formula.

Mr. HAAS: Henderson claimed it would break the ceilings if you added on; you would have to revise the ceiling.

MR. PAUL: That is because of increased wages.

H.M. JR: I am going to be from Missouri on this thing. I would like to spend Saturday morning on the thing. I am repeating myself; why a ten percent tax on "All others" is inflationary, and an increase of fifty or twenty-five percent on railroad travel and telephone calls - all the things which go into our pocket expenses - is not inflationary?

Mr. BROUGH: I don't think you will get an answer there. But the whole point on the "All others" is that to get a billion four hundred million dollars, you have really tremendous addition to your administrative job, and query, is it worth it?

H.M. JR: What we have got to decide - it will take a couple of hours for me to get it, because I have never spent a couple of hours on it - we have got to decide what we are going to do.
We are going to say, "All right, here is the bill," and argue against it because of the increase of costs to the Government and to the taxpayer, or because it is inflationary, but I don't know that the two things—

Mr. BLOUGH: For the 'all other,' the inflationary is probably a minimum argument; for food and clothing, I think it is a very important argument.

H.M.JR: I can see that. I read your (Smith's) talk. The approach is this, and we will argue about it: "Now, look, gentlemen, everybody is talking about the ten percent tax - sales tax. I am confident you don't want to put it on food or on medicine; I am sure you don't want to put it on clothing. When it comes to collecting on excises, we can do it so much cheaper that way. I am sure you people are as interested as I am in economy. We don't want to have a duplication there. So it gets down to a billion four. Now, in the case of a billion four, what is it going to cost us to set up entirely new machinery and a new organization? Isn't it much better, rather than to start something entirely new, to take the Treasury's recommendation on increase in excises?"

Let's do it on that basis. Who would differ with me?

Mr. HAAS: I would add annoyance to the taxpayer, along with increased cost to the Treasury.

H.M.JR: Think about it. Let's have the sales tax study Saturday morning. I would like to get soaked up with it. After Robertson went after me, I went flat.

Mr. BLOUGH: Is this the Congressman?

H.M.JR: P.M. He is certainly a friend.

I haven't had time to expose myself to all these columnists, but Gaston is doing it. He has seen one or two a day. When he got through with Walter Lippmann, Lippmann said he was against the sales tax. He has seen Ernest Lindley; he is going to see Ray Clapper and about half a dozen of the more important.
MR. BLOUGH: I want to revise what I said about the inflationary aspects of "all other." There is in the "all other" an important part of business supplies and equipment, and things like that, which are impossible to exempt, because the items are things that people buy personally and also for business purposes. That will add to the cost of doing business. And that will have a directly inflationary influence. The other items in "all other"--

MR. PAUL: Also be inflationary on the "all other" by reason of stimulating wage demands.

MR. WHITE: That is the important thing. Labor will regard a sales tax on this "all other" as a sales tax. They will say, "We are paying a ten percent tax on most of the things we buy." And you can't counter by saying, "Well, you are leaving some things out. You are not paying it on food." They will say, "We are paying it on most of the things we are buying. It is increasing the cost of living." They won't pay any attention to the figures.

Whereas, if you have excise taxes you could take the same amount of money away from them out of excise taxes, though you are not, but even if you did, you could say, "This is not a sales tax; it is a tax on fur coats and other things you don't need." And it doesn't give them the most powerful weapon for increased demand for wages.

MR. BELL: How about income taxes of the same. Would they argue the same way?

MR. WHITE: No.

MR. PAUL: You can't argue the same way because there are wage formulae increases.

MR. BELL: Yes, but they have the same amount of money when they get through.

MR. HAAS: But Lubin says that the wife is given so much money to buy food; she goes out and she has her fifteen dollars, and it doesn't stretch as far.
MR. BELL: I don’t see why the taxes have to be in the cost of living index. Why shouldn’t the price of the article be taxed?

MR. PAUL: That would be all right if we were starting all over again with all our gearing of wage stabilization to tax.

MR. BELL: I think it is a poor argument before a Congressional committee to say you can’t have a sales tax because sales taxes are included in your cost of living index, and your cost of living increases.

MR. WHITE: It is not that it is included in the cost of living index; the important thing is that in the mind of labor he is paying more for those goods and he is going to say that because he is paying more, he needs higher income. You are running against tradition, against the customary way of treating this matter, and you can get the same amount of money away from income tax and they would be much less potent arguments than there would be in the sales tax. That is an additional reason.

H.M.JR: I will work on this thing Saturday morning. Now, look, the one thing that I would like very much, and I hope to have it by Saturday, whatever the group is that we are going to exempt from any taxes — whether it is the thousand dollars, or whatever the group is — I don’t know where it starts, I have asked, now, a couple of times—

MR. BLOUGH: It is in the works.

H.M.JR: ...what these people now pay in Federal taxes. Now, I am going down tonight to spend some time with Henry. I will be back late Friday night. Could you, Paul, and your people, spend quite a lot of time with Smith and Gaston trying to go over this?

MR. PAUL: We have got to spend a lot of time with them because, as far as I am concerned, I disagree with some of these approaches. I am not sure Fred is wholly sold on some of them himself.
H.M.JR: We will know a little bit more later. But I thought if Smith, Gaston, Blough, anybody in the room — let me put it the other way around; I am going to ask Smith to see as many of you as possible and get ideas so that when he sees me Saturday morning he will have a revised draft; he can say, after seeing you, "I still think you should say this, but the following people don't want you to say it." You can do it that way. But, Fred, if you don't mind — I mean, we are closing the office Thursday at one o'clock, so we don't expect you to work Thursday afternoon. Has that gotten around? White, has it reached your office?

MR. WHITE: No.

H.M.JR: How does it come?

MR. BELL: By telephone.

MR. HAAS: I think maybe they got some administrative assistants of yours, Harry.

H.M.JR: Has it gotten to you that we are closing Thursday at one o'clock?

MR. GASTON: Yes, we are very alert on such matters. (Laughter)

H.M.JR: Alert and allergic. (Laughter)

MR. BELL: Always watching for them.

H.M.JR: Herbert, I told Smith to see as many of you as possible between now and Saturday. I want a draft of my tax talk, and if you would give as much time to Smith as you can--

MR. GASTON: Yes.

H.M.JR: Now, whom did you see this morning?

MR. GASTON: Ray Clapper.
H.M.JR: Would you give us the benefit?

MR. GASTON: I had a very nice talk with Ray Clapper. It is necessary to explain the background of what we are thinking and doing. His conclusion was that—just as Walter Lippmann's—that we got a bad press principally because we didn't explain carefully enough the omission of the nine million people. It was news to him that notwithstanding dropping the nine million, we were still adding about three billion six hundred million in taxes to the group under five thousand dollars, and that, to him, was a very striking fact.

He thinks that by all means we should stand by our guns for drastic additional taxation; that there is beginning to be quite a swing of sentiment in our direction, particularly in the newspapers; and that it would be a good idea to get such authoritative help as we can. He mentioned Marriner Eccles. He also mentioned Dan Bell as being a good man to talk about the financial picture; that the fellows up there had a lot of respect for his judgment and his knowledge. Fred Vinson he was a little in doubt about because I think Fred is in a little bit wrong up there now, and he doesn't know how helpful Fred would be to us.

H.M.JR: Were you here when I talked to Vinson yesterday?

MR. GASTON: Yes.

H.M.JR: Have you (Paul) heard about that conversation?

MR. PAUL: No.

H.M.JR: I invited Fred Vinson to go up to lunch.

MR. PAUL: I didn't hear that.

H.M.JR: I invited Vinson to go along, but he was too busy. Then he said, "If I get up there I am afraid they are going to talk to me about coal. I don't think I want to go up on the Hill." If Vinson and Byrnes had only
left us alone! Now neither of them will have anything to do with it. But we will keep Vinson informed just the same.

MR. GASTON: He thought we should have some explanation of the theoretical nature of these so-called savings, such as this War Department thirteen million which he says has caused a great deal of confusion.

MR. PAUL: Have you seen Lippmann yet?

MR. GASTON: Yes.

MR. PAUL: I was supposed to see him. He broke a couple of dates.

MR. GASTON: He thinks the argument is very good, that savings don't relieve us of the necessity or moral obligation to have your taxes.

H.M.JR: I think it is very helpful, Herbert. I hope I am not taking up too much of your time.

MR. GASTON: No, I enjoy them.

H.M.JR: Are you going to see the others?

MR. GASTON: I am having lunch with Walker Stone today.

H.M.JR: Fine. And I have just thrown a couple at you. Could you take Dave Lawrence?

MR. GASTON: Sure.

H.M.JR: You have seen Lippmann, Ernest Lindley, Walker Stone, and you will see Dave Lawrence and--

MR. GASTON: I have seen three; Lippmann, Lindley, and Clapper. I will see Stone at lunch.

H.M.JR: Who else is there around here? Do you want to see Pearson?
MR. PAUL: I don’t think you have to see Pearson on that.  

H.M.JR: Wouldn’t do any harm. I have seen Robertson. You called him up, too, didn’t you?  

MR. BLOUGH: I have not done that yet, Mr. Secretary. I have tried to reach him but I couldn’t.  

MR. GASTON: Of course, they are in our corner, anyway, but I might see Pete Brandt or Charlie Ross.  

H.M.JR: When those fellows get together they do talk things over.  

Mr. WHITE: How about D. Thompson.  

H.M.JR: I don’t think she is in Washington.  

MR. PAUL: It might be worth while to go to New York.  

H.M.JR: I am afraid we won’t have time.  

Mr. PAUL: There are a lot of people up there to see.  

Mr. BELL: These people that you have seen, Herbert, don’t get hardly outside of the metropolitan papers, do they?  

H.M.JR: Oh, yes. Clapper is on the air every night.  

MR. GASTON: Every one is syndicated.  

H.M.JR: Lindley is on the air. The little papers — you would be surprised — carry these people. And they are all on the air.  

Mr. BELL: I was thinking about the little papers out in my section of the world. I never see Clapper, Lindley, or Lippmann quoted, but I see Kay Tucker and this fellow T.J. Meehan, from New York, and one or two others not so prominent. But I never see these fellows, Clapper and Lindley. Maybe the little papers carry them, I don’t know.
H.M.JR: Well--

Mr. GASTON: I will get ahold of Hay Tucker. Of course, his stuff is more on the gossip side.

MR. PAUL: Fulton Lewis would be the one.

H.M.JR: Anyway, I think, Fred, you are off to a good start. I think we will know a little bit more by noon. I am saving all of Saturday and Sunday to work, and I am hoping we don't have to go up Monday.

MR. SURREY: They are scheduling it for Monday.

H.M.JR: I don't think the bill will get through in the House.

MR. SURREY: Only have two days for debate and vote.

H.M.JR: They are scheduling me and Paul?

MR. SURREY: If you are to be the first witness, which I presume you want to be, they would schedule it for the 29th.

Mr. PAUL: If you wanted it Tuesday, I think you could get it Tuesday, but you ought to speak about it now.

MR. BLOUGH: They are setting a time-table to try to get it to the President's desk on the 18th.

MR. SURREY: That raises a question that you might want to explore. Assuming any good is to come from all this, it would delay the consideration in the Senate if the Senate wants to raise the money. Senator George had the idea of pressing through this bill next week. Assuming there is to be any increase in taxes, it is going to delay the consideration of the Senate, and I am not so sure - I don't see quite, now, why the bill has to be on the President's desk by the end of the year. They may throw that back at you today.
H.M.JR: I am just going to say this, that if they want me Monday, I want to be there Monday. That is due to the War Bonds - getting out the thing on time - and if I delay it any it just means that Smith and I will work that much slower. If we know that we have to get it out Sunday night, we will get it out Sunday night.

MR. SMITH: I guess it is so.

MR. SURREY: They have scheduled you for Monday morning.

H.M.JR: We will be there.

MR. PAUL: I have been working on a simplification statement, the corporate taxes and the various technical--

H.M.JR: But all of you, please, who are here, keep yourselves free for Saturday and Sunday for me, will you? So I can have all of you Saturday and Sunday. Monday night we can all get drunk. I will supply the liquor. (Laughter)
TEN PERCENT FEDERAL RETAIL SALES TAX
(Dollar figures are in billions)

Cumulative Totals

$6.3

- Food $2.4
- Medicine 0.2
- Clothing 1.1
- Taxed under excises* 1.2
- All other 1.4

Total yield $6.3

*Excludes a small amount of food and clothing now subject to excises.
Hello.

Hello.

Hello.

Dan

Hi.

B:

Dan.

B:

Yes, sir.

HM Jr:

I'm sending you in a letter from Mr. Stimson. I asked the President of the United States whether he would write somebody in which he would say that we could send civilians overseas to stimulate War Bonds. You know?

B:

Uh huh.

HM Jr:

And I asked the President twice. I never heard from him but evidently he did write to Stimson. Now, Stimson comes back and gives me the reasons why I shouldn't do it.

B:

Uh huh.

HM Jr:

Rather he -- I also sent you a letter -- he wanted to have cash sales of War Bonds.

B:

Yep.

HM Jr:

Now, sometime next week, when we get the tax thing out of the way, let's you and I and Ted Gamble and Fred Smith who followed the thing overseas for us, get together on it. You see?

B:

All right.

HM Jr:

But schedule a meeting after my appearance on the Hill.

B:

All right. He -- in the other letter, you know -- he wanted to create agents over there.

HM Jr:

Well....

B:

In the Army, to stimulate....
HMJr: Well, couldn't we -- couldn't we put the two letters together and consider them?
B: Yeah.
HMJr: There's no great sweat is there?
B: Nope.
HMJr: Thank you.
B: Not at all. Okay.
On Wednesday, November 24, 1943, the Secretary had lunch at the office of Ed Halsey, Secretary of the Senate. The Democratic members of the Senate Banking Committee were invited, and all who were in town and available came. The Secretary was accompanied by D. W. Bell, Randolph Paul, and Fred Smith.

The purpose of the meeting was to discuss whether in the estimation of the Committee, the Secretary should renew his demands for 10.5 billion dollars.

The tenor of the meeting was very pleasant and friendly. The Senators seemed to appreciate the fact that the Secretary had called them together to discuss his presentation before making it.

The first thing that the Secretary wanted to clear up was the misunderstanding about the 13 billion dollars, supposedly to be saved by the Army, and to which some reports had added an extra 5 billion dollars for the Navy. This was explained in full by Dan Bell, and the Senators expressed a great deal of surprise. Senator Clark said: "They not only took the people in on that one, they took us too. I was convinced that we had that 13 billion dollars in our kicks right now."

There was some discussion about the value of the inflation appeal. It seemed to be generally agreed that people did not believe in inflation, and it seemed rather evident that the
Senators viewed the whole inflation prospect with a certain amount of doubt and skepticism. Barkley wanted to know how much of the bill was for taxes, and how much for inflation, suggesting that we would have much less trouble raising money for taxation than for inflation control.

When the subject got around to 10.5 billion dollars, there was no disagreement about whether or not the Treasury should again ask for this amount. Everyone agreed that the Treasury should stand on its recommendation, and Chairman George suggested that the Treasury come up to the Senate with as strong a case as it could possibly develop.

The Senators were pretty generally agreed that we would not get the 10.5 billion, nor even a large part of it. Chairman George explained that there were many mechanical difficulties in the way of the Senate's greatly changing the House Bill. He pointed out that the votes in the House had been made public, and that there was no likelihood of Congressmen changing their minds under those circumstances. He said that a great change in the House Bill by the Senate would put these two legislative bodies into conflict, and as a result no tax bill could be passed until next Spring. He also said that in the interim, we would be losing the excise taxes.

It was then suggested that the excise taxes be levied in
a separate bill, and George said he would consider discussing it with the House, but he didn't think there was much use. Senator Clark then repeated these sentiments, saying that he had tried to do the same thing before and that "Congress wants to see the whole bill, not pieces of it."

There was some discussion about whether or not the sales tax should be mentioned in the Secretary's message. Byrd and George said that it ought to be mentioned, and a stand should be taken one way or another, or Vandenburg might interrupt the Secretary before he had finished reading.

George then said that he didn't believe a sales tax could be enacted anyway. He said that if the Administration would actively help promote it, they might get it through the Committee, and possibly through the Senate, although it was doubtful. Then he said: "But even with the Administration's help, I am sure we couldn't get it through the House. They have voted it down and it is done for there."

Before the meeting broke up, the Secretary was asked how he felt about the war after having made a trip to the Front, and he explained why he thought that it would be a long, hard war if we had to win it by fighting, rather than by a collapse of the German Nation.
Mr. Gaston
The Secretary

If you think well of it, I wish you would send for Walker Stone who writes tax editorials for Scripps-Howard, and have a talk with him between now and Saturday noon -- only if you think well of it. I know that Johnny Hanes used to consult him a lot, and I think he might be flattered. I don't mean Johnny Hanes, but Walker Stone. - O Kay
Herbert Gaston: Yes.

HMJr: What luck did you have at lunch today?

G: Oh, I had a good time.

HMJr: Yes?

G: Uh -- uh -- Walker Stone -- uh -- the substance of it is -- the main thing is he's in favor of -- of additional heavy taxation. He thinks that you ought to -- uh -- give the arguments for additional taxation and -- without specifying and let the Senate write its own ticket.

HMJr: Well, that's the plan.

G: He thinks that, as he said in an editorial about the time you went up before Ways and Means Committee or just after that, that -- that we're two years late, that we ought to have had a very drastic plan right after Pearl Harbor when the climate was more favorable for it and should have stuck to it.

HMJr: Yeah.

G: And I endeavor to convince him that we did the best we could at that time.

HMJr: Yeah.

G: He's normally against the sales tax but thinks the sales tax is the right thing in the present situation and I had some argument with him on that point and he finally said, "Well, selective excise taxes, if there were enough of them and they were heavy enough, would be the right thing." And which I said was good sense. And he said that such a meal as we were eating then, we ought to have to pay a heavy tax on it. And I agreed with that. He'd like to tax the night clubs heavily.

HMJr: Well, I think all this you're doing is most useful.

G: Uh....
I want Fred Smith to tell you about my luncheon.

Yes.

I came away with the best feeling I've ever had when I've been on the Hill.

Oh, that's just swell. That's grand.

The best -- it's been the best meeting I've had in ten years.

Why, that -- that's grand.

I never came back off the Hill with such a nice feeling.

Well, that's fine. I -- I was a little nervous about it.

Well, everyone but one of the Democrats -- there were eleven Democratic members -- there was only one missing.

Yeah. Uh huh.

So, it was a -- really very good.

That's grand.

Have a nice Thanksgiving.

Well, thanks very much. And I have a date to see Dave Lawrence on Friday. He's also going to take me to lunch. He's going to take me to the Metropolitan Club.

Oh, wonderful.

Quite.

Didn't you have to pay for the lunch today?

(Laughs) Scripps-Howard insisted on paying for it.

Wonderful.

Yeah.
HM Jr: Well, that's all right.

G: Walker said it was going to -- that Roy Howard was going to pay for it and, "Well," I said, "as long as it's Roy Howard and not Walker Stone, that's all right with me."

HM Jr: (Laughs) All right. Okay.

G: All right.
MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I talked to Ray Clapper this morning, as I previously reported, and had lunch with Walker Stone.

Clapper is much more in sympathy with our program than Stone and not critical. He is strongly in favor of our sticking to our guns on the broad ground of much more drastic taxation and would stress the need for additional taxation both from a budgetary standpoint and that of inflation with a minimum of emphasis before the Senate on details of the program. He thought we got a bad press on the original proposals to the Ways and Means Committee not only on account of the bad state of our relations with the Committee but also on account of the manner in which the exemption of nine million taxpayers was played. It was a surprise to him to be told that our proposals envisaged an increase of $3,600,000,000 of taxes in the brackets below $5,000. He thought we ought to make every effort to present a united front before the Committee, that Dan Bell’s testimony about the budgetary position, principally to correct misunderstandings with regard to Army and Navy "surrendering" of appropriations, would be highly valuable since all the committees in Congress had great respect for Dan. He also thought that Marriner Eccles could be helpful if we could keep him from going off on a tangent, but he had some doubts of the usefulness of Fred Vinson in view of Fred’s other troubles with the Congress.

Walker Stone, with whom I went to lunch, talked freely about a great many aspects of Federal finance. He thought, as he wrote in an editorial published on October 5, that the Treasury was "twenty-two months late" and that we should have presented right after Pearl Harbor an extremely drastic program of taxation on which we could have stood for the remainder of the war. He is in favor of heavier taxation at
the present time nevertheless and would like to see you argue generally the need for higher taxes and leave it to the Senate Committee to write their own ticket. He is against sales taxes as a general proposition and reminded me that he had written editorials in the past opposing sales taxes, but he thinks they are better adapted now to checking excess spending than income taxes. I argued with him some on this point and he eventually agreed that a stiff and broad program of luxury excise taxes of a selected character might be better than a sales tax. As an instance he suggested heavy taxes on such meals as we were eating at the moment (at the Carlton, for which he said Scripps Howard would pay). He also said the night club tax ought to be heavy. He thinks our manner of figuring excess profits tax on corporations before instead of after normal tax is unfair, or at least creates a wrong impression as to the source of the revenue. He said if we really wanted to maintain the system of private enterprise we ought to allow business to accumulate reserves. I told him that reminded me of Johnnie Hanes' thesis, but since invested capital was in the ratio of $635 for every man employed (at the time Johnnie was here) all we needed to do to promote employment was to let business retain an additional $635 for each unemployed man and then the whole population would be put to work. Walker agreed that that was an absurdity and that demand for goods had to come before investment. He thought the Treasury had been fickle in its tax recommendations and had thus lost the confidence of Congress. I told him I thought our record was pretty good and that there were much different causes for the present disagreement, including politics, to which he personally agreed. We discussed other matters, including work relief and pump priming, and he invited me facetiously to call him up any time I wanted advice.

I have an appointment with Dave Lawrence for Friday.
ADD TAXES

The House tentatively approved a $2,140,000,000 revenue bill which would boost excise taxes on two-score of items including liquor, jewelry and transportation tickets. A final vote was expected shortly, with passage assured.

11/24—SB519P

ADD TAXES

The House approved the measure while sitting in the technical capacity of "Committee of the Whole House on the State of the Union." That action must be ratified, however, when the chamber reverts to its status of the House of Representatives—a step expected to follow almost immediately.

The action came—after less than a day of listless debate during which Democratic and Republican leaders of the tax-making House Ways and Means Committee defended their rejection of the $10,300,000,000 revenue programs proposed by the administration on grounds it would have been ruinous to middle-class, white-collar workers. Most of that program would have been effectuated through sharp individual income tax increases.

The bill recommended by the committee and passed by the House would raise a relatively-insignificant $154,000,000 additional revenue from individual income levies by integrating the present victory tax with normal rates and setting those rates at such levels that most taxpayers would owe slightly more than under present law.

The bill also would raise an additional $616,000,000 by increasing corporate excess profits tax from 90 to 95 per cent and by making other minor changes in the corporate tax structure.

11/24—SB523P

ADD TAXES

The bulk of new revenue, however, would come from boosts in some two-score excise taxes and from various increases in postage rates. The whisky tax would go from $6 per 100-proof gallon to $9; the excise on jewelry from 10 to 20 per cent, and the cabaret tax from 24/7 to 30 per cent of the charges.

Excises on beer, wine, electric light bulbs, luggage, furs, toilet preparations, telephone and telegraph services, transportation, admissions, club dues, bowling alleys and billiard parlors would be increased, while heretofore-exempt handbags, wallets and pari-mutuel wagers would be subjected to new excise levies.

The rate for first class local mail would be jumped from two to three cents an ounce, while fees for air mail, third class mail, money orders, registered mail, insured mail and COD mail would be increased.

11/24—SB525P

ADD TAXES

The House passed and sent to the Senate a $2,140,000,000 revenue bill which would boost excise taxes on some two-score items including liquor, jewelry and transportation tickets. The vote was 200 to 27.

11/24—SB552P
The Tax Bill. The tax bill, as reported by the House Ways and Means Committee, was adopted without floor amendments by a teller vote of 200 to 27.

During the debate, Representative Fish charged that

"The original proposal emanating from the Secretary of the Treasury, Henry Morgenthau, Jr., if it had been carried out instead of being repudiated would have put us on a level with the Communists and might have even out-communized the Communists."

Representative Fish, at another point, asserted that

"The public was never fully informed of the abomination of desolation recommended by Secretary Morgenthau. Previously, the attempt to limit salaries to $25,000 was squelched by Congress and by the American press as an attempt to interfere with private initiative and free enterprise. However, the original tax proposal of Secretary Morgenthau at the hearings on the present bill was incomparably more drastic and revolutionary and actually limited net salaries and incomes to $10,000."

And at another point -

"The recommendations of the Secretary of the Treasury would also have tended to liquidate the middle class, the farmers, the home owners, and small business and professional men and women, and also would have added greatly to the burden of the wage earners which would have caused severe hardship in every American home."
An\textsuperscript{w}\textsubscript{e}\textsuperscript{r} answering Fish, Representative McCormack made it clear that the Secretary of the Treasury never proposed a $10,000 limitation on net salaries. He also said that "We hear Secretary Morgenthau called a Socialist and a Communist for submitting some proposal and a lot of other pet names" and asserted that this Socialist-Communist name-calling is "an indication of defeatism and inability to have an argument available to discuss the merits of a proposition".

Representative Knutson asserted that the Treasury in recent years has presented a detailed tax program to Congress and has used "its vast propaganda machine to try to overcome Congressional opposition"; that it is proper for the Secretary of the Treasury to make recommendations to Congress "when requested", but "it is improper for the Treasury to work out a tax program of its own and then insist that Congress enact it into law without regard to the views of those who are to be taxed or the judgment of the taxpaying public as to what is for the best interest of the country".

Dairy herd of the Secretary of the Treasury. Representative Fish, extending his remarks in the appendix and including the John O'Donnell article in the Times-Herald of November 23, said that "two of my distinguished constituents who have hitherto claimed to be dirt farmers & who have lately been compelled, through OPA restrictions and regimentation, to change their classifications, one as a forester or producer of Christmas trees and the other as a horticulturist or apple grower". He asserted further that "It is a sad commentary and a very bad example to the dairymen of the nation who are asked to produce more milk and butter in the war emergency for the Secretary of the Treasury, Henry Morgenthau, Jr., to sell out his dairy herd of 100 pedigreed milk cows when the country is threatened with a shortage of milk".

Nothing further of interest occurred in the House, and the Senate was not in session.
The Senate was not in session today. Its next meeting will be held on Friday, November 26, 1943, at 12 o'clock meridian.

House of Representatives

WEDNESDAY, NOVEMBER 24, 1943

The House met at 11 o'clock a.m.

Mr. Blakely, its legislative clerk, announced that the Senate had adopted the following resolution (S. Res. 211):

Resolved, That the Secretary communicate these resolutions of the House of Representatives and the Senate to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now take a recess until 12 o'clock noon on Friday next.

The resolution also announced that pursuant to the provisions of the above resolution the Vice President had appointed Mr. Hawker, Mr. Vandenberg, Mr. White, Mr. Austin, Mr. Maloney, Mr. Thumman, Mr. Green, Mr. Mellikin, Mr. Tunell, Mr. Eastland, Mr. Revercomb, and Mr. Robertson members of said committee on the part of the House.

COMMEMORATING THE FORTY-SEVENTH ANNIVERSARY OF THE FIRST AIRPLANE FLIGHT BY WILBUR AND ORVILLE WRIGHT

Mr. Jeffrey. Mr. Speaker, I ask unanimous consent for the present consideration of House Joint Resolution 175 commemorating the forty-seventh anniversary of the first airplane flight by Wilbur and Orville Wright.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Jeffrey. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Jeffrey. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

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Mr. Jeffrey. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

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Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

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Mr. Jeffrey. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

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Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

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The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Jeffrey. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. Michener. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?
Mr. SCHIFFLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Raccoon and to include separate remarks by two editors.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia [Mr. SCHIFFLER]?

There was no objection.

[The matter referred to appear in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. VURSELL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois [Mr. VURSELL]?

There was no objection.

[Mr. VURSELL addressed the House. His remarks appear in the Appendix of today's Record.]

EXTENSION OF REMARKS

Mr. O'BRIEN of New York. Mr. Speaker, I ask unanimous consent to extend my remarks in the Raccoon and to include therein a letter sent to me by one of my distinguished constituents with reference to subsidies, and I also ask unanimous consent to extend my own remarks in the Raccoon and to include a speech by the national commander of the American Legion in Chicago on November 10 before the American Petroleum Institute.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. O'BRIEN]?

There was no objection.

[The matter referred to appear in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. GIFFORD. Mr. Speaker, I ask unanimous consent to proceed for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. GIFFORD]?

There was no objection.

FISH BRING $4.50 A POUND

Mr. GIFFORD. Mr. Speaker, I made a statement yesterday that fish were bringing $4.50 per pound. Perhaps you did not hear it, but I want to put in the Raccoon a full explanation of why that situation exists in the attempt to fix prices. In order to secure the catch the processor will pay enormous prices for fish on which there are no ceilings. It is a peculiar situation. Read this article.

The Clerk read as follows:

The Clerk read as follows:

Rescinded. That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the Sustaining Resolution for the consideration of the bill (H. R. 2887) to prohibit price discrimination, to establish a national minimum price, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed 3 days, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered on any part of the bill, and shall be deemed general amendments of the general debate, but such amendments shall not be subject to amendment. At the conclusion of the consideration of the consideration of the bill for amendment, the Committee shall rise again and vote on its report. Amendments to the bill as may have been adopted, and the previous question shall be considered as reponed on the bill with the same form and effect as if it had been to final passage without intervening motion, except one motion to recommit.

Mr. CLARK. I yield 30 minutes to the gentleman from New York [Mr. Fasan] and yield myself 5 minutes.

Mr. Speaker, this rule would of course make in order the immediate consideration of the tax measure. The Committee on Ways and Means has been unanimous in requesting the Committee on Rules to report out this particular type of rule. It is of course a closed rule, which permits of no amendments except those approved by the Committee on Ways and Means. This is the usual type of rule under which tax measures have to be considered.

I wish to congratulate the Committee on Ways and Means and other members of this committee who have had the benefit of the views of everyone in the country or not, for having returned to Washington before the recess was over and gone to work on this matter. Members of this committee have worked on it for many, many weeks, long hours, both, to make sure that they have undertaken seriously to do that which in their judgment is best for the country under the present circumstances, and that we may return to the House a great deal of confidence on what they have done.

I know the House wants to get down to the consideration of the measure and I see no particular reason why we should consume much of the time at this rule. I shall cooperate with the gentleman on the minority side and conclude the debate on the rule as speedily as possible.

Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, as the distinguished gentleman from Illinois [Mr. VURSELL] has so ably stated, this rule comes to the House upon the recommendation of the Committee on Ways and Means, who were unanimous in adoption of this type of rule. The Committee on Rules reported it out also by a unanimous vote to the House. In our analysis, are the masters of their own
Mr. FISH. In other words, pay 101 percent.

Mr. KNUTSON. On a $1,000,000 income the individual will pay $101,000 in income tax and social security tax. The man with a $50,000 income will pay $5050. Mr. FISH. Then, as I take it, I have understated the situation. I stated the original Morgenthau proposal would bring in $2,000,000,000. Now, according to my friend from Minnesota, all of the tax increases will pay out $10,000 less. Mr. KNUTSON. Well, that is $1,999,990,000. Mr. FISH. The effect of that will be to reduce the burden of the farmers and of the small-business and professional people, and to greatly reduce the burden of the wage earners. It would have reduced hardship in every American home.

Mr. KNUTSON. He further proposed to carry that additional tax burden to $10,000 and to heave additional burdens of the overburdened middle class was an attempt to tax socialists and revolutionaries and America's enemies. Mr. FISH. The proposal to carry that additional tax burden to $10,000 and to heave additional burdens of the overburdened middle class was an attempt to tax socialists and revolutionaries and America's enemies.

Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts. Mr. McCOMBER. Mr. CLARK. Mr. Speaker, it is always interesting to listen to the speeches from New York. Mr. McCOMBER. Mr. Speaker, it is always interesting to listen to the speeches from New York. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi.

Mr. Vossoughi. I am a Californian. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi.

Mr. Vossoughi. I am a Californian. I am a Californian. I am a Californian. I am a Californian. I am a Californian.

Mr. Vossoughi. I am a Californian.

Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi.

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Mr. Vossoughi. I am a Californian.

Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi. Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California. Mr. Vossoughi.

Mr. Vossoughi. I am a Californian.
There was no objection.

Mr. RUSSELL. I yield 2 minutes to the gentleman from Texas (Mr. Lanham).

Mr. Lanham. Mr. Speaker, at the beginning of the printed report of the Committee on Ways and Means with reference to this tax law, the statement has been made that a large number of the tax committee has given consideration to the annual amount that is estimated as the possibility for economy in governmental expenditures.

No tax as government revenue and governmental economy are properly closely aligned. Subjects, I think it very pertinent that we call attention to the statement made by Mr. Russell on February 24, 1943, in the Seventy-seventh Congress, I introduced bill H. 6467, to establish an office of fiscal investigation, as an agency of the Committee of Ways and Means, to obtain accurate representations that we make to the Congress and the country, and to be able to give an answer, informative information in the estimation of government revenue and extraneous. I reintroduced that in the Eighty-sixth Congress is as H. R. 1643, January 4, 1943. In order that the matter may be considered in the light of the statements made in the present bill, therefore, I desire to ask the attention of the consideration of this House on the subject of government revenue.

Mr. Speaker, before this bill is to be passed, it is absolutely necessary that the House of Representatives pass the Revenue Act of 1943.

The question was asked: and on a question demanded by Mr. Van Voorhis of California, there were—yea 206, nay 7. The question was on the passage of the bill. I vote in the affirmative.

Mr. Condon. The Speaker, the Chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I urge through the Senate, and be submitted for the consideration of the Senate.

The Speaker. The chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I believe that the House will have to consider the matter of the value of the House in relation to the price of the House in order to be able to set up the measure to which the House has assigned the Revenue Act of 1943.

The Speaker. The question is on the passage of the bill.

The Speaker. The question was asked: and on a question demanded by Mr. Van Voorhis of California, there were—yea 206, nay 7. The question was on the passage of the bill. I vote in the affirmative.

Mr. Condon. The Speaker, the Chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I believe that the House will have to consider the matter of the value of the House in relation to the price of the House in order to be able to set up the measure to which the House has assigned the Revenue Act of 1943.

The Speaker. The chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I believe that the House will have to consider the matter of the value of the House in relation to the price of the House in order to be able to set up the measure to which the House has assigned the Revenue Act of 1943.

The Speaker. The question is on the passage of the bill.

The Speaker. The question was asked: and on a question demanded by Mr. Van Voorhis of California, there were—yea 206, nay 7. The question was on the passage of the bill. I vote in the affirmative.

Mr. Condon. The Speaker, the Chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I believe that the House will have to consider the matter of the value of the House in relation to the price of the House in order to be able to set up the measure to which the House has assigned the Revenue Act of 1943.

The Speaker. The chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I believe that the House will have to consider the matter of the value of the House in relation to the price of the House in order to be able to set up the measure to which the House has assigned the Revenue Act of 1943.

The Speaker. The question is on the passage of the bill.

The Speaker. The question was asked: and on a question demanded by Mr. Van Voorhis of California, there were—yea 206, nay 7. The question was on the passage of the bill. I vote in the affirmative.

Mr. Condon. The Speaker, the Chair recognizes the gentleman from North Carolina (Mr. McCrary).

Mr. McCrary. Mr. Speaker, I believe that the House will have to consider the matter of the value of the House in relation to the price of the House in order to be able to set up the measure to which the House has assigned the Revenue Act of 1943.
CONGRESSIONAL RECORD—HOUSE  
November 24

Mr. DOUGHERTY. Yes; they are in- 
cluded in the Federal contribution. 

Mr. CARTER. The Treasury contribu- 
tion is included in the Federal contri- 
bution. The Federal contribution is the 
greater part of the increased revenue. 
The Treasury program would not be 
adequate without a Federal contri- 
bution. It is possible that there will 
be a larger Federal contribution in 
addition to the Treasury contribution. 

Mr. DOUGHERTY. The indirect checks 
are having an inflationary effect. 

Mr. CARTER. The indirect checks are 
having an inflationary effect. The 
Treasury contribution is the greater 
part of the increased revenue. 

Mr. DOUGHERTY. I yield to the gentle- 
man from California.

Mr. CARTER. I yield to the gentleman 
from California.

Mr. DOUGHERTY. The gentleman is 
saying that the Treasury contribution 
will be the greater part of the increased 
revenue. He is saying that the indirect 
checks are having an inflationary 
effect. The Treasury contribution is the 
greater part of the increased revenue. 

Mr. CARTER. The Treasury contribution 
is the greater part of the increased 
revenue. The indirect checks are 
having an inflationary effect.

Mr. DOUGHERTY. I yield to the gentle- 
man from California.

Mr. CARTER. I yield to the gentleman 
from California.

Mr. DOUGHERTY. The information 
requested is as follows:

For certain government central govern- 
ments.

Mr. CARTER. I will be very happy 
with the information.

Mr. DOUGHERTY. At this point I think 
it is fair to point out that we are rapidly 
approaching the point of diminishing 
returns on the number of tax sources.

Mr. CARTER. That is the judgment 
of a great many people and a great 
many economists. You cannot impose 
too heavy a tax burden. When you 
drive the initiative and break the morale 
of the taxpayers, it is like overloading a 
boat; there is no turning back. If you have 
many good teams ruined by being 
overburdened, you cannot impose an 
unreasonable tax burden on the American 
people which would have the same effect 
so far as affecting the morale of the 
taxpayer is concerned, as overworking 
a good team. We are trying to get to the 
point where the taxpayers, when they 
realize that there is no substantial tax 
left, when the Federal tax is paid, they 
will not go on working and working 
towards the realization of an 
unreasonable tax burden. 

Mr. CARTER. I yield to the gentleman 
from California.

Mr. DOUGHERTY. I yield to the gentle- 
man from California.

Mr. CARTER. I yield to the gentleman 
from California.

Mr. DOUGHERTY. The normal base, the 
surface base, and the tangent base, any 
of which can be used, are all of the same 
importance. The normal base is the base 
that the Treasury has used. The surface 
base is the base that the Treasury has 
used. The tangent base is the base that 
the Treasury has used. The national 
base is the base that the Treasury has 
used. 

Mr. CARTER. The national base is the 
base that the Treasury has used.

Mr. DOUGHERTY. I yield to the gentle- 
man from California.

Mr. CARTER. I yield to the gentleman 
from California.

Mr. DOUGHERTY. The normal base, the 
surface base, and the tangent base, any 
of which can be used, are all of the same 
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base is the base that the Treasury has 
used. 

Mr. CARTER. The national base is the 
base that the Treasury has used.
One of the most troublesome features of the war, as far as our foreign relations are concerned, is that shipping tonnage that is available is not being utilized to the best advantage.

In the recent conference at Washington, a proposal was made to establish a committee of three to study the problem of shipping in order to report on ways and means of utilizing the tonnage that is available to the best advantage.

The committee included Mr. White, Mr. Doughton, and Mr. McCormack. Mr. White had already made the admission that there was a serious problem involved.

Mr. White: I am opposed to the proposal to establish a committee, for the following reasons: First, because of the cost involved, which will be prohibitive; second, because it will delay the execution of the program; third, because it will be difficult to secure agreement on any recommendations produced.

Mr. Doughton: I am in favor of the proposal, for the following reasons: First, because of the urgency of the problem; second, because it will provide a forum for discussion; third, because it will be easier to secure agreement on any recommendations produced.

The debate continued with each side presenting their arguments in detail.

In conclusion, Mr. White expressed his concern over the lack of priority in the allocation of tonnage, stating that the war effort was being compromised by the inefficient use of shipping resources. He called for a more coordinated approach to shipping management, emphasizing the need for a clear strategy and effective coordination to ensure the efficient use of available tonnage.

Mr. Doughton countered by stressing the importance of international cooperation and the need for a comprehensive approach to shipping that transcends national boundaries.

The debate concluded with a commitment to further review and discussion, with the understanding that the war effort required a unified approach to shipping management.
Mr. KNUTSON. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, the pending tax bill is but one of an endless procession of major revenue measures since 1920.

In this period the tax burden of the American people has increased to a present total of over forty billion dollars.

The time has come when we have about reached the horizon of the tax so far as the possibility of securing additional revenues is concerned. There is a limit to the people's ability to pay taxes, and in time of war, during the past four years, they have had to absorb particularly tax increases to meet the increasing cost of the war, and they have not had time to adjust themselves to any increase before another greater one has been piled on. Now the administration wants to add ten and one-half billion dollars more, mostly by sharp increases in the already burdensome personal income tax.

When the administration's tax program was presented early in October, the Republican members of the Ways and Means Committee took a strong stand in opposition and asked the people to consider the fact that there would be tax or in the tax on the normal earning of business. Having unanimously joined in defeating the administration's program in congress, we have lived up to that promise. The bill which has been reported by the committee rates but one-fifth of the amount required by the administration, and most of this sum will come from increased excises levies on luxury and similar items.

From now on the motto pronounced by the great spokesmen, Harry Hopkins, "tax and tax, spend, spend, let the bill go," is evil. The people are beginning to realize the disastrous effects of the tax program, as reported by the committee. We have already given notice that, so far as we are concerned, we will vote against the imposition of additional taxes upon the people until the administration has first eliminated all waste and unproductive expenditures and then only if it be absolutely necessary.

There is an old saying that "chickens come home to roost," and that is surely true as far as it applies to the administration's wasteful spending. For years the average man has been told that he need have no worry about what he spent, because the tax bill was paid by the Government in the person of his wages, in Washington since the other fellow would be taxed to pay the bill. Now he knows that this was but one of many deceptions on the part of the administration, and that theAdministration which has the small man under the present administration, is recalling the words of a certain candidate for President in 1922, who said:

"There is a tax on the sweet of every man who works.

Even Santa Claus will see in time that he has nothing but empty puffs and marshmallows to offer.

The people, straining under the present heavy tax burden, are beginning to realize that there is something wrong as soon as they see the banality of things. Some people must pay, and it is always the same old people. He pays both in visible taxes and in the "hidden" taxes.

In the consideration of the pending tax bill the committee gave careful study to the inevitable trend of increased taxes upon the people until the administration has first eliminated all waste and unproductive expenditures, and then only if it be absolutely necessary.

Chief Justice Marshall's dictum that "taxation without representation is no true tax" is no less true today than when uttered during the early days of the Republic. The Republican minority on the Ways and Means Committee, which has been heard about by the administration as a group that was made up of the ablest brains in Washington since the other fellow would be taxed to pay the bill. Now he knows that this was but one of many deceptions on the part of the administration, and that the Administration which has the small man under the present administration, is recalling the words of a certain candidate for President in 1922, who said:

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Even Santa Claus will see in time that he has nothing but empty puffs and marshmallows to offer.

The people, straining under the present heavy tax burden, are beginning to realize that there is something wrong as soon as they see the banality of things. Some people must pay, and it is always the same old people. He pays both in visible taxes and in the "hidden" taxes.

In the consideration of the pending tax bill the committee gave careful study to the inevitable trend of increased taxes upon the people until the administration has first eliminated all waste and unproductive expenditures, and then only if it be absolutely necessary.
To gain a little philosophy, I chose the same amount of money under the same conditions as in 1840. The result is that we are now paying $25,000 for the privilege of being taxed. The government is now spending $25,000 to collect the tax. We are now paying $25,000 in taxes, but we are not getting any benefit from it. We are just paying a fee to the government to collect the tax.

Mr. O'CONNOR. No, that still does not make any difference. The government is just collecting the tax and spending it. The tax is collected and spent, but we are not getting any benefit from it.

Mr. O'CONNOR. Well, it is just the same as before. The government is just collecting the tax and spending it. It is the same as before, but we are paying a fee to the government to collect the tax.

Mr. O'CONNOR. Then I will simply say that I am in favor of the government collecting the tax and spending it. I think it is the best way to do it. It is the most efficient way and the most economical way.

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CONGRESSIONAL RECORD—HOUSE

N ovember 24, 1943

We address an important and drastic measure to the government's expenditure by reducing the amount of taxes. In doing so, we must not be carried away by the excitement of the moment, nor by the desire to impose the burden of taxes on the taxpayers.

Mr. Chairman, I am sure that if President Roosevelt could have made sure that the proposed measure would be fully justified by the facts and that the taxpayers were not being taxed in the interest of the war effort, he would have been willing to support it.

Mr. Chairman, the measure proposed is an important one, but it is not an all-important one. The war effort of the government cannot be suspended.

Especially true at the present time, when we are fighting a world war, the total monetary commitments for which the proposed measure is not enough, is the task of the government. And the war is still far from being won, particularly in the Pacific Theater of Operations. Moreover, we are now planning for post-war rehabilitation, which undoubtedly will add enormous burdens to the war effort.

The current fiscal year, the Federal budget will be reduced to a little more than $8,000,000,000, a decrease of $7,000,000,000 over last year. This reduction is not enough, and the government must continue to work toward securing a proper balance in its financial affairs.

In the current fiscal year, ending June 30, 1944, the government will have available more than $10,000,000,000, but this does not mean that the government will have enough funds to meet its obligations. The government must continue to work toward securing a proper balance in its financial affairs.

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We urge that the measure proposed be given careful consideration, and that it be passed without delay.
Congressional Record — House
November 24, 1934

The Treasury to work out a tax program of its own and then insist that Congress authorize the repudiation of the tax program of the National Industrial Recovery Act. The Treasury would have the power to set the price at which the selling of the bonds would be done, and the price would be fixed in such a manner as to ensure that the bonds would be sold at a premium. The Treasury would have the right to refuse to accept any bonds at a price below the minimum price fixed by the Treasury.

The Treasury would have the power to issue bonds in any amount, and the bonds would be sold at a premium over the face value. The Treasury would have the power to reserve the right to refuse to accept any bonds at a price below the minimum price fixed by the Treasury. The Treasury would have the power to require the paying of a premium on the bonds.

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have imposed than to transfer the fund that Mr. CURTIS has suggested to be used, I think, and then, and when the bureau money is transferred to it, it would be a solution that would be a matter of fact.

Mr. CASE. It is imposed, it is not transferred.

Mr. MICHENER. It is imposed by law, but Congress has apparently has not yet decided to transfer it, but it is imposed by law.

The Congress, through the Appropriations Committee, has enacted it; there is nothing the Congress can do about it, but what it can do is to amend the law which it has not had the opportunity to amend.

Mr. REED of New York. I yield to the gentleman from Illinois.

The CHAIRMAN. The gentleman from Illinois has no authority to refer this to me. He must be overruled.

I believe it has been a common practice.

Mr. SUMNER of Illinois. Mr. Chairman, will the gentleman explain the difference between the Ways and Means Committees and the Senate?

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CONGRESSIONAL RECORD—HOUSE

November 24

10028

The table in the vice versa
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of the Victoria tax.
A return filed by the committee that there is a short form of the Victoria tax is
as follows: Under this short form the minimum tax on income above $1,200 will be
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either the Naval Affairs Committee or the Ways and Means Committee, in fact, than the minority report of our committee. It is in the nature of both of those committees to have their balances in the past, and as a result their decisions are not a matter of record. The majority report of the Ways and Means Committee states that the bill was referred to the Committee on Naval Affairs for examination, recommendation, and report.

The report of the Ways and Means Committee is accompanied by a letter from the chairman of the committee, Mr. Doughton, stating that the report was submitted to the committee on February 24, 1940.

The letter was signed by Mr. Doughton and was dated February 24, 1940. It states that the bill was referred to the Committee on Naval Affairs for examination, recommendation, and report. The letter also states that the committee is preparing a report on the bill and that it will be ready for submission to the House as soon as possible.

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day when they can avoid governmental controls. I have suggested to a number of members of the House that we can make the administration understand that they are interested, and have discussed with businessmen the possibility of a national defense railroad plan which would be just the reverse of the war bond program. The war bonds were built up by the Committee on Military Affairs and the Senate, but the proposed bill would have been considered a tax-raising measure had it been introduced. We have been told that we would be required to pay with a tax on business transactions, but the bill would not be heard so long as we are maintaining the policy of a national railroad program.

Mr. CURRIE. Mr. Chairman, I think it is unfair to say that the war is being conducted by the Treasury Department. The war is being conducted by the people of this country, and the war bond program is only a part of that effort. We are all in this war together, and the effort of the Treasury Department is only a part of the effort of the people.

Mr. GARRAHAN. Mr. Chairman, I am not suggesting that the war bond program is being conducted by the Treasury Department. I am simply pointing out that the bill is being used to raise revenue for the war effort. We should not allow the war bond program to be used to raise revenue for other purposes.

Mr. CURRIE. Mr. Chairman, I do not think that the war bond program is being used to raise revenue for other purposes. The war bond program is being used to raise revenue for the war effort.

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Mr. GARRA...
There is no public record of any kind, and there is no evidence of the conduct of the Board which determined the need for his products, which, in most instances, would mean that the company cannot be held liable for any damage.

Mr. Chairman, that is not the Americana way to conduct a business. It is not the American way to conduct a business. It is not the American way to conduct a business. It is not the American way to conduct a business.

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CONGRESSIONAL RECORD—HOUSE

November 24

10065

Saying high tax rates will return more and more of the burden on the incomes of the upper classes. Therefore it is not necessary to raise these rates to such a point as to cause inflation and deplete the revenue. In fact, in some cases, higher rates may produce less revenue for the government, as the tax已成为 an additional burden on the upper classes, and they may reduce their spending, leading to a decrease in tax revenue.

Newly, it may be urged that higher rates of taxation would be necessary in order to pay for the increased national expenditures. But keep in mind that the tax rates have already been increased significantly, and that the government has been able to pay for its expenditures with the existing tax rates.

Nor before the American people have ever been called upon to pay a higher rate of taxation. Never before have they paid over $1,000,000,000 in taxes. Before the war, the government collected $1,000,000,000 in taxes. Today, the government collects over $1,000,000,000 in taxes, and the American people will pay over $1,000,000,000 in taxes.

The present tax law is, however, an essential part of the national defense. It is necessary to maintain the government and to meet the expenses of the war. The tax law is not designed to produce revenue, but to produce an economic and political system.

Now, let us consider the proposal to raise the tax rate to 100% on incomes in excess of $1,000,000. This tax would be a severe burden on the upper classes, and it would lead to a decrease in their spending, leading to a decrease in tax revenue.

In conclusion, the tax law should remain as it is, and the government should continue to collect taxes at the current rate. The government should continue to spend the money collected through the tax system, and it should continue to use the money to pay for the expenses of the war.

10062

CONGRESSIONAL RECORD—HOUSE

November 24

10065

In view of the fact that the income tax law is about to be made more effective, it is necessary to consider the effects of this law on the economy. The income tax law is designed to produce revenue, and it is necessary to ensure that the revenue produced is sufficient to meet the expenses of the war.

In conclusion, the income tax law should be made more effective, and the government should continue to collect taxes at the current rate. The government should continue to spend the money collected through the tax system, and it should continue to use the money to pay for the expenses of the war.

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CONGRESSIONAL RECORD—HOUSE

November 24

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In conclusion, the income tax law should be made more effective, and the government should continue to collect taxes at the current rate. The government should continue to spend the money collected through the tax system, and it should continue to use the money to pay for the expenses of the war.
CONGRESSIONAL RECORD—HOUSE

November 24, 1945

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CONGRESSIONAL RECORD

NOVEMBER 24, 1943

second class was raised by amendment in the 1943 Revenue Act. The
experience of the past decade, however, has shown that such increases
have been necessary from time to time to meet the rising cost of postal
operations. The Post Office Department has indicated that it will
require an increase in postage rates to meet the increased costs of
operations, and that it will be necessary to offset, in part, the de-
crease in the postal receipts resulting from the decrease in the
postal rate on periodicals and third-class matter.

Mr. OAVIN. Mr. Chairman, I will submit the following:

Mr. HARTLEY. I yield the remainder of my time.

Mr. OAVIN. I have some figures here that illustrate the condition
of third-class mail.

Out of a total estimated yield of $1,000,000,000 from the third-
class mail, the Post Office Department, under the terms of the
Revenue Act of 1942, which provided for a rate of 1 cent per
page, realized only $300,000,000. The Post Office Department had
suffered a deficit of $196,600,000. Against this, the further
higher postal rates have been realized by the Department, which
the Department found necessary to maintain its solvency.

In 1942, with the same low rate of

Mr. KNUTSON. Mr. Chairman, I submit the numbers in this
report.

Mr. HARTLEY. Mr. Chairman, I wish to submit the numbers in
this report. I do not mean to imply that the numbers are
accurate, but I do not think that the figures are off by as much
as he suggests.

These figures and experience speak for themselves, and I
unitedly request that the Committee on Ways and Means with
Mr. KNUTSON. You, Mr. Chairman, are making a good speech for
the Joint Committee on Printing.

Mr. HARTLEY. That is right, Mr. Chairman. I think it is a good
speech.

Mr. OAVIN. I think it is a good speech.

The history of postal rate increases is of the same duration.
Back in 1869, the postal rate was 1 cent per page, and it was
reduced by act of Congress to 65 cents per page in 1871. In
1911, the postal rate was 2 cents per page, and it was re-
duced by act of Congress to 1 1/2 cents per page in 1912. In
1929, the postal rate was increased to 2 cents per page, and it
was further increased to 2 1/2 cents per page in 1931. In
1932, the postal rate was increased to 3 cents per page, and it
was further increased to 5 cents per page in 1933. In 1936,
the postal rate was increased to 6 cents per page, and it was
further increased to 12 cents per page in 1937. In 1940,
the postal rate was increased to 25 cents per page, and it
was further increased to 50 cents per page in 1942. In
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CONGRESSIONAL RECORD—HOUSE
NOVEMBER 24, 1843

Dear Mr. Consultant

This is a letter from the House of Representatives regarding postal rates.

The letter is discussing the proposed postal rates and how they will affect the budget of the government. The committee is interested in keeping these rates as low as possible while still covering the costs of running the postal system.

The letter also mentions the need for a unified postal system across the country and the importance of efficiency in the delivery of mail.

I hope this information is helpful.

Sincerely,

[Your Name]
### Congressional Record - House

**November 24, 1943**

The financial dynamics of the national economic situation are of critical importance in determining the rate of postwar construction, the cost of rapidly replacing worn-out plant and equipment, and the economic policies that will be necessary to restore and maintain full employment. With the aid of the President's Council of Economic Advisers, the Federal Reserve Board, and other agencies, the Department of Commerce and the Treasury Department have been closely following the economic trends and the development of credit facilities. The present situation is marked by a high level of business activity, with economic growth continuing at a rapid pace.

#### Postwar Construction

- The rate of investment in new plant and equipment is expected to be high in the years immediately following World War II. The demand for new capacity will be influenced by the extent of substitution of labor for capital, the rate of economic growth, and the level of prices.
- The availability of materials and the ability to secure labor will be critical factors in determining the rate of construction.

#### Economic Policies

- The government will need to continue its efforts to maintain full employment and to prevent inflationary pressures.
- Fiscal policy will play a significant role in restraining inflation and promoting economic stability.

#### Financial Markets

- The structure of the financial system is undergoing rapid change, with new sources of credit becoming available and the role of banks and other financial institutions evolving.
- The Treasury Department is working to ensure that the financial system is prepared to meet the demands of a postwar economy.

### Subcommittee on Postwar Activities

The Subcommittee on Postwar Activities has been convened to discuss the implications of the current situation for postwar planning and to consider the appropriate measures for managing the transition to a peacetime economy.

#### Summary

The economic situation continues to evolve, with new challenges and opportunities emerging. The government and private sectors must work together to ensure a smooth transition to a postwar economy that is characterized by full employment, economic growth, and financial stability.
The Postal System is not composed of post offices, mail and service expenses uncharged with costs due to the complete loss of the Postal Service. This is true also for the Postmaster General, who is the head of the Postal Service and is responsible for its expenditure. The Postal System is subject to the same control as any other government agency, and the Postmaster General is accountable to the Congress for its performance and the use of funds.

The Postmaster General is also responsible for the management of the Postal Service, including the supervision of the Postal Service's operations and the administration of its policies. He is also responsible for the appointment of the Postmaster General, who is the head of the Postal Service, and for the appointment of the Postal Service's postmasters.

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the elimination of the Victory tax and its integration with the regular income tax by the Tax Reform Act of 1942. To explain this integration properly, it is necessary to briefly outline the history of the Victory tax and its advantages.

The Victory tax, when it was originally adopted as the Revenue Act of 1942, had several advantages over the previous system of taxation. The most significant of these was the elimination of the excesses and credits for dependents, which had been a source of controversy for many years. The new system also provided for a more equitable distribution of the tax burden, with the emphasis on the ability to pay rather than on the size of the family. This was achieved by the introduction of a new formula for determining the tax liability of individuals, which took into account their income, age, and family status. The result was a tax system that was both fairer and more efficient than its predecessors.

This new formula was designed to provide a more accurate assessment of the tax liability of individuals, with the emphasis on the ability to pay. The tax was based on the individual's income, and the rate was determined by the amount of income earned. This was achieved by the introduction of a new formula for determining the tax liability of individuals, which took into account their income, age, and family status. The result was a tax system that was both fairer and more efficient than its predecessors.

In addition to the elimination of the excesses and credits for dependents, the new tax system also provided for a more equitable distribution of the tax burden, with the emphasis on the ability to pay rather than on the size of the family. This was achieved by the introduction of a new formula for determining the tax liability of individuals, which took into account their income, age, and family status. The result was a tax system that was both fairer and more efficient than its predecessors.

The tax system was thereby made substantially simpler and more equitable, with the elimination of the excesses and credits for dependents. The new system also provided for a more accurate assessment of the tax liability of individuals, with the emphasis on the ability to pay. The tax was based on the individual's income, and the rate was determined by the amount of income earned. This was achieved by the introduction of a new formula for determining the tax liability of individuals, which took into account their income, age, and family status. The result was a tax system that was both fairer and more efficient than its predecessors.

The Tax Reform Act of 1942 was a major step forward in the evolution of the tax system, and it remained in effect until the passage of the Revenue Act of 1943. The new formula for determining the tax liability of individuals, which took into account their income, age, and family status, was a major improvement over the previous system, which had been based solely on family status. The result was a tax system that was both fairer and more efficient than its predecessors.

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I believe this would be a serious and unnecessary hardship if the Postal Service were to be seriously affected. The increase in postal rates could result in significant increases in the prices of products and services that rely on the postal system. Additionally, the increase could have a negative impact on smaller businesses and individuals who rely on the postal system for their livelihood. I urge the Senate to consider these factors and to reject this proposed increase in postal rates.
CONGRESSIONAL RECORD—HOUSE
NOVEMBER 24, 1945

MURPHY, Mrs. Harry C., Member of Congress, Washington, D.C.

Dear Mr. Chairman:

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal agency providing purely governmental services, but is a Federal business. As such, it has the right to bargained wages and working conditions, and it contains a large and important number of employees. Therefore, I believe the postal service should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

December 28, 1945

Mrs. Murphy,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mr. Smith

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 1, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal agency providing purely governmental services, but a Federal business. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 2, 1946

Mrs. Murphy,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mr. Smith

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 3, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 4, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 5, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 6, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 7, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 8, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 9, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 10, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 11, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 12, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 13, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 14, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 15, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 16, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 17, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 18, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 19, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

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Post Office and Post Roads Committee, House of Representatives.

January 20, 1946

Mr. Smith,

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Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 21, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

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Post Office and Post Roads Committee, House of Representatives.

January 22, 1946

Mr. Smith,

I appreciate the opportunity to express my views on the postal service. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should not be included in any omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.

January 23, 1946

Mr. Smith,

I am opposed to the inclusion of the postal service in the 1947 omnibus post office appropriation bill. The postal service is not a Federal business, but a Federal agency providing purely governmental services. Therefore, it should be placed on the same footing as any other Federal business, and not be included in the omnibus post office appropriation bill.

Sincerely yours,

Mrs. Murphy

Chairman of the Post Office and Post Roads Committee,

Post Office and Post Roads Committee, House of Representatives.
The proposed increases in taxes and real property taxes are substantial. It will necessitate a reorganization of telephone rates, and in many places the rates will increase for small business and farm homes.

The tax is progressive and discriminatory. It is used on the nature of a sales tax system. It will increase the cost of living and reduce the purchasing power of individuals.

Telephone companies are experiencing an annual shortage of cash. Increases in telephone rates will also help to finance the operation of the company.

We have already increased the rates charged to the public, and it is possible that their distribution will be reduced in the future. If this continues, it is likely that the telephone business will become less attractive to the public, and the telephone industry will be faced with a serious problem.

Mr. KNOTCHI, I yield to the gentleman from Muskingum (Mr. Arnold). Mr. ARNOLD was granted permission to revise and extend his remarks.

Mr. ARNOLD. Mr. Chairman, the present rate structure of the telephone companies will not meet the needs of the telephone industry. The telephone companies are not able to finance their operations through the sale of stock or bonds. They are dependent on the public for their revenue.

Mr. KNOTCHI. Mr. Chairman, in the interest of the public, the telephone companies should be allowed to increase the rates charged to the public. This will enable them to finance their operations and provide better service.

Mr. ARNOLD. Mr. Chairman, I yield to the gentleman from Warren (Mr. KNOTCHI).

Mr. KNOTCHI. Mr. Chairman, I yield to the gentleman from Muskingum (Mr. ARNOLD). Mr. ARNOLD was granted permission to revise and extend his remarks.

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Mr. ARNOLD. Mr. Chairman, I yield to the gentleman from Warren (Mr. KNOTCHI). Mr. KNOTCHI was allowed to make his remarks.
Mr. DOUGHERTY. Mr. Chairman, I am pleased to offer a bill to may desire to the gentleman from Ohio (Mr. Jones).

Mr. DOUGHERTY. Mr. Chairman, I am pleased to see that my amendment to the bill is now before the House of Representatives. I would like to show some of the provisions of the bill in detail. The bill provides for the creation of a new Federal Reserve Bank in each state. The objective of the bill is to improve the efficiency of the Federal Reserve System by allowing each state to have a bank specifically designed to meet its unique economic needs. The bill also includes provisions for the expansion of the banking system, allowing states to issue their own currency in addition to Federal Reserve Notes. The bill further provides for the establishment of a National Banking Association to oversee the operations of the new Federal Reserve Banks. I believe this bill will be a significant step forward in promoting economic growth and stability in our nation.
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CONGRESSIONAL RECORD—APPENDIX

November 24, 1943

HON. JED JOHNSON

IN THE HOUSE OF REPRESENTATIVES

Mr. JOHNSON of Minnesota, Mr. Chairman, I have asked the indulgence of the House at this time to read a letter I have received from our popular and able chief of staff, General Patton, which I have read, so that the letter may not be lost. I have read it, and I shall venture to read a part of the letter to the members of the House. Then I would like to say that I have asked the indulgence of the House to read the letter so that it may be published in the Congressional Record.

General Patton, in a letter to me, has said:

'You have my permission to quote me in any way you see fit. I am always willing to encourage anything that will help to keep our boys on the march.'

This is a fine letter from a fine soldier. It is one of the finest letters I have ever received from a general. I feel that I should read it to the House, and I should like to do so, but I am not sure that I should do so.

I shall be more than happy to read it, if the House will permit me to do so.

HON. JOHN P. NEWSOME

IN THE HOUSE OF REPRESENTATIVES

Mr. NEWSOME of Alabama, Mr. Chairman, I have asked the indulgence of the House at this time to read a letter I have received from the President of the United States. The President has asked me to read this letter, and I shall be happy to do so.

The President's letter is as follows:

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This is a fine letter from a fine soldier. It is one of the finest letters I have ever received from a general. I feel that I should read it to the House, and I should like to do so, but I am not sure that I should do so.

I shall be more than happy to read it, if the House will permit me to do so.

HON. JOHN P. NEWSOME

IN THE HOUSE OF REPRESENTATIVES

Mr. NEWSOME of Alabama, Mr. Chairman, I have asked the indulgence of the House at this time to read a letter I have received from the President of the United States. The President has asked me to read this letter, and I shall be happy to do so.

The President's letter is as follows:

'You have my permission to quote me in any way you see fit. I am always willing to encourage anything that will help to keep our boys on the march.'

This is a fine letter from a fine soldier. It is one of the finest letters I have ever received from a general. I feel that I should read it to the House, and I should like to do so, but I am not sure that I should do so.

I shall be more than happy to read it, if the House will permit me to do so.

HON. JED JOHNSON

IN THE HOUSE OF REPRESENTATIVES

Mr. JOHNSON of Minnesota, Mr. Chairman, I have asked the indulgence of the House at this time to read a letter I have received from our popular and able chief of staff, General Patton, which I have read, so that the letter may not be lost. I have read it, and I shall venture to read a part of the letter to the members of the House. Then I would like to say that I have asked the indulgence of the House to read the letter so that it may be published in the Congressional Record.

General Patton, in a letter to me, has said:

'You have my permission to quote me in any way you see fit. I am always willing to encourage anything that will help to keep our boys on the march.'

This is a fine letter from a fine soldier. It is one of the finest letters I have ever received from a general. I feel that I should read it to the House, and I should like to do so, but I am not sure that I should do so.

I shall be more than happy to read it, if the House will permit me to do so.
Lee Williams:

Says we have made mistake that we have not called them "War" taxes instead of excess profit taxes.

No man should make any money out of this war. Find out what I have said about this previously.

7 and 9 made available to time deposit. Bank 10% of that a $10,000 which one is larger.
November 24, 1943

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury
15th Street & Pennsylvania Avenue
Washington, D. C.

Dear Mr. Morgenthau:

That was a great talk you gave us at the concluding dinner of our Wartime Conference last week and now that I am back at my desk I want to express the thanks of all of us along with my personal appreciation.

I heard nothing but the most favorable comments on all sides and I am sure it will do a lot of good. We are sending out your talk to all of our members and all of the advertisers of the country and I know it will result in better understanding of the continued need for supporting the War Loan Drives as well as other Government campaigns.

Sincerely yours,

[Signature]

Paul B. West
November 24, 1943

Dear George:

I got a good laugh out of your letter of November 22nd. I often wondered why you were so helpful to me in preparing War Bonds speeches. Now I know that you have inherited that gift from your Uncle Rob.

You may be pleased to know that I met your boss, Bill Hart, in New York, and whether it was the influence of my speech or the "spirits" of New York - be that as it may, he thinks you are a great guy, and volunteered your services for the Fourth War Loan Drive. So in the language of Uncle Rob, he has swallowed the Treasury propaganda, hook, line and sinker, and you will be my bait for the month of January.

With kindest regards,

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Mr. George Albee,
Route #1,
Accord, New York.

P.S.: Have you accepted the advice of the Secretary of the Treasury and disposed of your chickens?
Hon. Henry Morgenthau Jr.,
Secretary of the Treasury,
Main Treasury Building,
Washington, D. C.

22 Nov 1943

Dear Mr. Secretary:

I have read – twice – the draft of the speech you delivered before the advertising men.

I think you were wise, first of all, to make a speech before them and, second, to give them a straight narrative. I assume that Fred prepared the draft. (I recognize a few cliches.) Whoever did it gave you an excellent job – straightforward, direct and marching along in easily assimilable sequence like a short story.

My congratulations, for what they are worth.

It was kind of you to call Governor Lehman. I am afraid he has already found a public relations man, to judge from the excellent releases that find their way into the newspapers, but if he has not I am sure that I shall hear from him. Actually Mrs. Albee’s health demands that we stay in the country. But I am so strongly impelled to find a place for myself in some such group as Governor Lehman’s that – if he agreed to take me on trial for six months or so – we would try Washington for that length of time. The Federal services are the only place for a man like me. I inherit it, I guess. I had an uncle who took care of fish in the Bureau of Plants and Fisheries. He was very happy there, was Uncle Rob.

I hope that Mrs. Morgenthau is herself once more, and that all news of your boys remains good.

With kindest wishes to all --
November 24, 1943

Dear Frank:

Several months ago in discussing a cooperative arrangement between the Navy Department and the Treasury Department for promoting the sale of War Bonds through the financing of actual equipment, we agreed that War Bond campaigns having as an objective the raising of sufficient money to pay for various types of naval vessels should be confined to campaigns conducted by states, cities, counties or other political divisions of the population. We had in mind such campaigns as were conducted in the cities of Chicago and Atlanta to finance the replacement of lost cruisers bearing the names of those cities, and also smaller campaigns conducted by county and local organizations to finance and put commemorative plaques in smaller war vessels, such as submarine chasers, P.T. boats, etc.

The question now comes before me in a somewhat different form through the desire of the National Maritime Union, CIO, to finance and put a commemorative plaque in a submarine chaser. I am very sympathetically inclined to this campaign, because I believe that it is natural and
logical for members of an organization of American seamen to wish to finance a war vessel. The Maritime Commission is entirely willing to have them finance and name Liberty Ships, but this is too much like a "busman's holiday" to carry a particularly strong appeal to members of the National Maritime Union.

Whereas I can see the logic of limiting the financing of naval vessels so as to eliminate many types of citizen organizations from feeling that they have a special interest in any given vessel, I will be much pleased if you will make an exception in the case of the maritime unions and shipbuilding unions of both the CIO and the AF of L. Members of those unions certainly have a special interest in ships of war.

I make this recommendation particularly because we have encountered real problems in developing Payroll Savings Plans for American seamen. These seamen are apt to work for a different employer on each voyage and it is, therefore, not possible to sign a payroll deduction authorization which will be continuous, as in an industrial plant. Sales of War Bonds to merchant seamen can usually only be negotiated at the time their ships return to port and they are paid off. We are very dependent for the success of this program on the cooperation of their labor
organizations. Therefore, when the National Maritime Union undertakes to organize a campaign to sell enough War Bonds to finance a submarine chaser or other war vessel, the Treasury Department finds this a good answer to a difficult problem and wishes to back the union up in every possible way.

For this reason I hope that you will feel justified in relaxing the rule heretofore agreed to, to the extent of allowing the National Maritime Union to sponsor and put a plaque on a submarine chaser in case its members buy the required amount of War Bonds in their present campaign.

Sincerely yours,

(Migned) H. Morgenthau, Jr.

Honorable Frank Knox,
Secretary of the Navy,
Washington, D. C.

JHL:myr:fgt
We have completed the Lazard case along the lines indicated in my previous memoranda to you.

We are now informed that Lazard intends to offer William H. Schubart of the Bank of Manhattan a partnership on terms that he is likely to accept. Unless you direct otherwise, we will advise Lazard that we have no objection to Mr. Schubart becoming a partner.
To: Secretary Morgenthau
From: Mr. White

Our stabilization agreement with Brazil, which runs to 1947, provides for the sale of gold to Brazil, at its request, to the amount of $200 million at the price in effect under the Provisional Regulations of the Gold Reserve Act. Under this agreement we have already sold Brazil more than $170 million in gold.

The Minister of Finance of Brazil has asked that the agreement be amended to increase the amount of gold to be sold to a maximum of $300 million. There is no credit aspect to these gold sales, as payment is made in dollars at the price prescribed by the Regulations.
Sirs:

Pursuant to a request from the Minister of Finance of the United States of Brazil and current discussions which have been held with the Brazilian Embassy in Washington, it is agreed as follows:

The letter of July 15, 1937 of the Secretary of the Treasury of the United States of America to the Minister of Finance of the United States of Brazil, as said letter has been previously supplemented and modified, is further modified by changing the figure in item (1) from "$200,000,000" to "$300,000,000".

It is understood that the authority of Banco do Brasil to act as fiscal agent of the Brazilian Government in connection with all transactions undertaken under the arrangement provided for by said letter dated July 15, 1937, as supplemented and modified, shall continue in full force and effect.

Very truly yours,

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

Honorable Fernando Lobo,
Charge d'Affaires of the United States of Brazil,
Washington, D. C.

The foregoing is agreed to on behalf of the United States of Brazil and the Minister of Finance of the United States of Brazil.

Charge d'Affaires of the United States of Brazil.

RB:sc 11/15/43
PROPOSED LETTER TO BE SENT FROM THE CHARGE D'AFFAIRES
OF THE UNITED STATES OF BRAZIL TO SECRETARY HULL

BRAZILIAN EMBASSY
Washington

Your Excellency:

I have the honor to refer to the letter dated July 15, 1937 from the Secretary of the Treasury of the United States of America to the Minister of Finance of the United States of Brazil, as supplemented and modified, relative to the sale of gold and the purchase of cruzeiros with dollars.

2. I am directed by my Government to certify to your Government that I was authorized to modify the aforementioned Agreement by means of the Agreement of 1943, executed by me and the Secretary of the Treasury of the United States of America, the duplicate originals of which Agreement have been delivered to the respective parties. I am also authorized to declare that the new Agreement represents the valid and binding obligations of the Brazilian Government and the Minister of Finance of the United States of Brazil, in accordance with its terms.

3. I shall be grateful to Your Excellency if a copy of this letter be sent to the Secretary of the Treasury.

I take the opportunity to renew to Your Excellency the assurances of my highest consideration.

His Excellency Cordell Hull,
Secretary of State of the United States of America.

RB:sec 11/15/43
November 24, 1943

Sir:

Pursuant to a request from the Minister of Finance of the United States of Brazil and current discussions which have been held with the Brazilian Embassy in Washington, it is agreed as follows:

The letter of July 15, 1937 of the Secretary of the Treasury of the United States of America to the Minister of Finance of the United States of Brazil, as said letter has been previously supplemented and modified, is further modified by changing the figure in item (1) from "$200,000,000" to "$300,000,000".

It is understood that the authority of Banco do Brasil to act as fiscal agent of the Brazilian Government in connection with all transactions undertaken under the arrangement provided for by said letter dated July 15, 1937, as supplemented and modified, shall continue in full force and effect.

Very truly yours,

Secretary of the Treasury.

Honorable Fernando Lobo,
Charge d'Affaires of the United States of Brazil,
Washington, D. C.

The foregoing is agreed to on behalf of the United States of Brazil and the Minister of Finance of the United States of Brazil.
My dear Mr. Ambassador:

Reference is made to the letter dated September 22, 1943 from the Secretary to the Presidency, Mr. Amadeo Lopez Castro, to the Assistant to the Secretary of the Treasury, Mr. Harry D. White, and to conversations which Mr. Baron and Mr. Paxos have had with representatives of the United States Treasury Department, relative to the sale of gold by the Government of the United States to the Government of the Republic of Cuba.

It has been indicated that the Government of the Republic of Cuba will wish to purchase from the Government of the United States approximately $100,000,000 of gold during 1944 at the price provided by section 44 of the Provisional Regulations issued under the Gold Reserve Act of 1934, as the same may be in effect at the time of each sale. I interpret our Agreement of July 6, 1942, as amended, to cover the sale of that quantity of gold, provided that the aggregate amount of gold for which payment has not been made shall not exceed $5,000,000 at any one time. If payment for the gold is made at the time of the sale and delivery thereof, the $5,000,000 limitation does not apply. Accordingly, I do not believe that any further agreement between our Governments is necessary at this time.

Very truly yours,


Secretary of the Treasury.

His Excellency,
The Ambassador of Cuba,
Washington, D. C.
September 22, 1943.

This is to confirm our conversation of this morning. As I stated then, the Cuban Minister of the Treasury, Ing. Eduardo I. Montoulieu, has requested me to consult your Department on the possibility of increasing our gold purchases under our agreement of July 6, 1942, as extended on July 1, 1943, in order to meet the abnormal situation that is expected to develop next year.

The Cuban Government is concerned about the effects of the strongly favorable balance of payments expected next year, which if not adequately dealt with will increase the accumulation of foreign balances in the banks, the dollar circulation, and consequent disturbances in our monetary market. We wish to prevent these disturbances and at the same time to continue to build up at a faster rate a reserve in gold and foreign exchange under the scheme recommended by your technical mission in November 1941 and put into effect by our law of May 2, 1942. In this connection, we are considering the advisability that the Sugar Institute might sell to the Cuban Treasury part of the New York funds to be paid to it for the next crop by Commodity Credit Corporation, receiving pesos at Havana with which to make part of its payments to the producers. In this way, we might avoid unnecessary transfers of funds and obviate the possible ill effects of paying all these sums in dollars to the producers.

Though we have not yet determined to what extent it would be advisable to carry ahead the plan during the next year, we are contemplating operations of from $100,000,000 to $150,000,000, and thus we need the agreement of the United States Government to sell us gold to this amount, and the facilities of the United States Bureau of Engraving and Printing to print peso notes to an amount of $100,000,000. As you know, the Bureau is at present filling an order from us for $30,000,000. The denominations of the notes would be further determined in accordance with the needs of the market.

As I know the difficulties involved in this plan, mainly because of the great stress under which the Bureau is working, I wish to thank you for the kind cooperation which you offered us this morning, in line with your already long record of service to our country.

With warm personal regards from Mr. Montoulieu, in whose behalf I am writing you this letter, I remain

Sincerely yours,

(Signed) Amadeo Lopez Castro,
Secretary to the Presidency.

Mr. Harry D. White,
Assistant to the Secretary,
Treasury Department,
Washington.
Dear Mr. Stettinius:

The following type of French currency has been proposed for use by the Allied military forces in connection with the French operations:

(1) the currency would be issued by the French Comité but this fact would not appear on the face of such currency;

(2) the currency would bear the following legend:

"République Française
Trésor Central"

In the view of the Treasury and War Departments such currency will meet the monetary requirements of the operations in France, and we feel that of the alternatives available, currency with the above inscription will prove the most satisfactory. The British Treasury has indicated that such currency will be entirely acceptable to their Government.

As you know, this matter is most urgent and it is hoped that we may have your immediate decision as to whether this currency is acceptable from the political point of view.

Very truly yours,

Secretary of the Treasury

Secretary of War.

Honorable E. R. Stettinius, Jr.,
Under Secretary of State,
Washington, D. C.
November 24, 1943.

Dear Mr. Coz:

The Secretary is away from Washington and I am therefore acknowledging your note of November 19, which encloses a copy of material contained in a cable in regard to occupied Europe.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Oscar Coz,
Office of the Administrator,
Foreign Economic Administration,
Washington, D. C.
FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

November 19, 1943

Dear Mr. Secretary:

You may possibly want to consider the release of some information of the kind that appears in the attached cable at one of your press conferences.

I should think that security reasons would not block the issuance of most of this material.

Sincerely yours,

[Signature]

The Honorable
The Secretary of the Treasury

Enclosure
MILITARY CONFIDENTIAL

COLDIRED COMMISSION FOR FOREIGN, MOUTH ARTIST ACTUAL CIVIL AFFAIRS

The following communication was received 17 November, 1943

BCC Airgram 147, 17 November, 1943

From: XEB

To: Secretary of Treasury and CCNA

Subject: Conditions in occupied Europe.

Ref: BCC Airgram 103; BCC Airgram 114; BCC Airgram 149

The following information has been gleaned from intercepted mail relating to conditions in France and the other occupied countries of Europe. The mail was intercepted during the months of September and October and covers the period from early July to the middle of October. It is subject to the same caveat with respect to accuracy and reliability as was the material transmitted in previous airgrams.

CURRENT SITUATION IN FRANCE

It was reported in June that, as a general matter, French industry was suffering greatly from lack of raw materials and a short labor supply. An exception noted appeared to have been in the chemical fertilizer industry, which was described in some detail by a Swiss writer. A factory for the production of fertilizer was said to be in full operation near Arville. While the output of another was stated to have been reduced about 30%, it was regarded as functioning effectively. In still another area chemical fertilizer plants were reported to be in full operation, albeit suffering from a shortage of packing paper.

Shortages of fats were the principal causes for civilian complaint in the letters examined. In early July it was said to be impossible to obtain fats unless one was prepared to pay 500 to 600 francs a kilogram. One writer reported that he had been able to obtain margarine but once, since January, 1943, another, that he had no oil since October, 1942; and a third that he had none for six months. Farmers, as before, suffered the loss from these shortages mainly for the reason that they were able to obtain butter.

It was variously reported that, in some areas, there were no wines; that meat could be obtained but once a week; and, for certain residents, that 10 grams of butter were available each month. Eggs were reported as selling at 42 francs a dozen and chickens at from 100-200 francs a piece.
a town in the region of the Pyrenees, it was said that, for each child, one half to two pints of milk could be obtained daily.

Several letters noted that, in many areas of France, the summer season had been unusually dry, thus curtailing the output of fresh vegetables and fruits. In place of these products people were drawing upon stocks of dried vegetables and canned fruits.

As was the case in previous correspondence monitored, there were many complaints based upon the shortage of clothing and shoes. Illustrative of this was a letter from one writer stating that his father had one pair of shoes, while he and his sister had nothing but slippers.

Many writers attributed the extreme shortage arising in various areas to acts of pillage, of varying degrees of refinement, by the occupation authorities. One town received reports that, despite the dry season, the local fruit crop would be quite good. When the time for harvest had passed without the expected fruit reaching local markets, it was reported that it had all been shipped to Germany. The tactics of the Nazi authorities were making themselves more severely felt in many other ways. According to one writer who had escaped to Turkey, the Germans were summarily expelling many people from their apartments and homes to make the space available for billeting purposes. An Alsatian reported that his brother had been drafted into the German army and sent to the Russian front and his family deported because another member was in the French navy. Furthermore, the bombing operations were the cause of wholesale evacuations reported in areas around Paris and in places such as Lorient, in Bretagne, the latter said to have been completely destroyed.

A letter dated 4 October, 1943, reported that epidemics of infantile paralysis had broken out in the sections of Le Puy de Dome, near Clermont-Ferrand, and in L'Allier, in the Vichy region.

MANPOWER

Reports from France itself indicated that during the months of the summer and early fall, the recruitment of civilians for forced labor in Germany or in German factories continued unabated. In July it was reported that the 21, 22 and 23 year old males had virtually all been called to Germany. The condition of men sent to Germany was stated to be deplorable, and the conditions of civilian laborers in Germany was said to be sufficiently bad to induce thousands to escape to Spain, despite the great risk involved. Toward the end of August the drafting of women of 21 years of age for forced labor in Germany was stated to be imminent. It was said that in the forced labor camps people from all of the occupied nations were mixed together, - and that men and women were housed in the same rooms.

Page Two
The trend toward prisoners of war in Germany becoming civilian workers appeared to increase during the summer and early fall. A civilian worker was said to be paid 70 pfennigs an hour instead of 70 pfennigs a day, which was stated to be the pay of prisoners of war. While general conditions of discipline, etc., remain about the same as under the military, guard were removed. Civilian workers are permitted to move about freely, are given two weeks' leave upon their agreement to become civilian workers, and, contrary to previous reports, they reported receiving better food and more food and clothing packages. Civilian workers were also granted more privileges such as cinema, the use of postal system, admission to cafe houses, etc.

Whether or not the actual food conditions have improved upon a prisoner of war becoming a civilian worker is somewhat questionable, although on the basis of the correspondence recently examined it appears that some improvement can be noticed. In this connection, it might be noted that the so-called "potsain parcels," a scheme devised by Marshall Potsain to send parcels to each French prisoner of war, never materialized. Prisoners of war receive a few parcels through the French Red Cross and the British Red Cross, but complain because nothing was received through the American Red Cross. On the other hand, civilian workers in factories were served lunch at the factory, occasionally had fresh vegetables, and reported generally that they received better food than they had as prisoners of war. In late September, 1943, it was reported that civilian workers received more bread. However, shortages of clothes and shoe continued to be subject of complaint.

A significant conclusion might be drawn from the correspondence was that it appears easier for civilian workers to obtain food packages from France than for prisoners of war. Civilian workers were permitted to receive a package each time they had a ticket authorizing the receipt. These tickets were obtained from the Director of the Civilian Camp and each worker was allotted three tickets a month: two of the tickets were good for food parcels and one for clothing. A sample food parcel consisted of 2 packages of milk, 2 pounds of sugar, 1 package of cocoa, 1 package of tobacco, 4 cigarettes, 4 packages of vitamins, 1 piece of soap, 1 package of coffee, 2 cans of meat extract, 1 package of beans and 1 package of milk. While this same food package system was also available to prisoners of war, the letters indicated that it was somewhat easier for civilian workers to obtain packages. In addition, the liberty accorded civilian workers meant that they could obtain more food elsewhere, a privilege not available to prisoners of war.

It was estimated that approximately 200,000 prisoners of war have become civilian workers in the period from June to October, 1943.
PARAPHRASE OF TELEGRAM SENT

To: American Embassy, Chungking, China.
Date: November 24, 1945, 10 p.m.
Number: 1890

FROM THE SECRETARY OF THE TREASURY FOR ADLER

1. The Treasury has been informed by Mr. T. L. Soong and Mr. Hsi To-mou that Dr. Kung concurs with Treasury that the 1941 Agreement should not be renewed under present circumstances.

2. You are requested herewith by Treasury to submit your resignation to Dr. Kung as of December 31. You may, however, at your discretion postpone date of resignation until the last day of January 1944, if it is your opinion that another month may be necessary to conclude the Board's affairs.

HULL
(W)
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (S200)

Secretary of State,

Washington,

U.S. URGENT
2228, November 24, Midnight, (SECTION ONE)
FROM ADLER TO SECRETARY OF TREASURY.

One. Saw Dr. Kung yesterday and asked him for quotation on price at which Chinese Government would be willing to make CN dollars 400,000,000 monthly available to United States Government. We had long and amicable conversations though Kung tended to be evasive except toward close. He reviewed Chinese financial situation at some length, claiming that change in official rate would undermine confidence in fapi and accelerate rise in prices, to which I replied Treasury was not raising question of official rate and that it made no difference to internal prices whether United States Government expenditures were financed at price of twenty to one or of hundred to one. Kung, after commenting that experts could understand that but not laymen and that it was impossible to keep secret price at which Chinese Government sells fapi to us, stated that China has advanced CN dollars...
dollars 3,000,000,000 since outbreak of Pacific war for constructing airports and providing transportation facilities, et cetera, for USAAF, that China was preparing to ask us for another loan, and that any increase in the expenditures for USAAF would merely mean an increase in amounts he would ask for.

Two, at this stage I mentioned the three alternative methods of payment indicated in your point three (re your 1672 of November 20th.). Kung first rejected all three and offered as alternatives:

(A) His going over USAAF expenditures with Generalissimo and General Stilwell—which he is to do in near future—finding out where it was possible to cut them; and agreeing to bear a proportion, which he did not specify, under reverse Lend-Lease. I pointed out that reverse Lend-Lease negotiations had been protracted and that it might take some time to conclude them, to which he claimed that his government had already decided to agree in principle and that agreement might be consummated in near future.

(B) His not objecting to Treasury shipping U. S. currency to China to be sold in black market, adding that sales in quantity would push down price. But he did not recur to this suggestion in his final offer.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING, CHINA
TO: Secretary of State, Washington
DATED: November 24, 1943
NUMBER: 2223 (SECTION TWO)

5. I went on to point out that USAAF expenditures are being financed at the official rate, that expenditures of the Government of the United States in China are out of all proportion to return on them and that the United States is selling gold now in the Middle East to finance its expenditures. These remarks emphasised your point two. In reply Dr. Kung indicated that he had no objection in principle to the selling of gold on our account in China, but sales in any quantity would push the price down and also compete with the gold selling policy of China without yielding enough to cover our needs. I pointed out that sale of gold for account of the United States need not compete with China's sales if they were conducted through one selling agency. In agreeing with this point he indicated that the Central Bank is at the present time selling gold for the Government of China. He commented in passing that the cost of shipping gold is so high he is considering selling certificates representing claims on gold rather than selling the gold, which would be kept on earmark with the Federal Reserve Bank.

4. Dr. Kung finally said he was willing that the choice of one of the following alternatives be offered to the Treasury Department:

A. 2A above.
B. Your SC (Department's 1672 November 20) subject to the consent of the Generalissimo and paying 40 to 1 in exchange for United States dollars for needs of the United States Government over and above what is obtained by selling gold on our account.

5. My comments on the offer are as follows: For 4A refer to my comment on 2A above; for the reason stated above - apart from the fact that Dr. Kung would not specify the proportion of United States expenditures China would be willing to finance by Lend-Lease in reverse - it is not worth serious consideration as an alternative, though as a supplementary measure it may be worth consideration. For comments on 4B:

(A) From the above conversation and from other sources it is clear that China does not propose to sell much gold and that Dr. Kung does not expect us to succeed by this means in raising
nearly enough currency to cover the expenditures of this Government. It might be possible, however, with the exertion of sufficient pressure to push the sale of gold to the point where an appreciable part of our needs would be yielded.

(b) 40 to 1 is a miserably low price. My suggestion on this is that the Treasury Department request at least 100 to 120 to 1 in which case it might be possible that not less than 80 could be finally settled upon.

6. With Dr. Kung’s remark that this was a preliminary discussion the conversation was concluded.

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

Secretary of State
Washington

2231, November 24, 5 p.m.

TO SECRETARY OF THE TREASURY FROM ADLER

Raised question with Dr. Kung in accordance with your instructions in conversation yesterday. He replied that missionaries had been receiving thirty to one for missionary expenditures since May 1 and that all famine (repeat famine) relief expenditures had been receiving forty to one from same date. He was in course of negotiating with Foreign Missionary philanthropic and cultural organizations about further adjustment in rate they receive (re your 1474, October 13).

Above confirmed by reliable source according to which missionaries had been receiving forty for famine relief expenditures. According to same source Dr. Kung will probably give above organizations forty for all their expenditures in China.

GAUSS

Chungking
Dated November 24, 1943
Rec'd 2:37 p.m., 26th
Information received up to 10 A.M. 24th November, 1943.

1. NAVAL

Mediterranean 21st/22nd. Allied Coastal Craft smash a Patrol Lighter South of LIVorno.

22nd. One of H.M. Minesweepers, mined and sunk off BARI.

Levant 20/21st. A further 3,000 Greeks and Italians were evacuated to TURKEY from SAMOS.

2. MILITARY

Italy 8th Army. In Coastal Sector 78th Division has strengthened Bridgehead over RAGNO and completed three bridges. Italian troops have established Bridgehead West of ATESSA. Further South Canadian troops have captured S. AUGUSTO (16 miles S.H. of ATESSA). Our patrols have also advanced 3 miles west of ALFONSO (15 miles N.E. of ISBERNA).

5th. Army In patrol action near North of S. BARI. Heavy casualties were inflicted on enemy at coast of one surrounded.

Russia 23rd. Russians extended their Bridgehead North of CHERKASSI. Situation in ZHIDOM is obscure but Russians have probably given some ground.


3. AIR OPERATIONS

Western Front 22nd/23rd. 2,365 tons dropped on BERLIN. 22 B. 96 Marauders (B.25) (2 missing), bombed two Airfields in N. FRANCE. Mitchells (B.25), Bostons (A20) and Typhoons dropped 89 tons on military objectives near GRIS NEZ. 23 Bombers (4 missing) attacked Convoys off FAXEL. Seriously damaging five Escort Vessels and leaving an 8,000 ton Tanker sinking.

23/24th. Aircraft despatched: BERLIN 38: (20 missing) (4 crashed) COLOGNE 6 (1 missing), Intruders 1/7. Preliminary reports 8.24/25th attack over target, Markers concentrated and fires still burning from previous night.

Italy 22nd. 155 Medium, Light and Fighter Bombers attacked communications in Central ITALY and 222 attacked Targets in Battle Area.