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(Merchants recommended by  
Donald Nelson)

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See Kentucky for discussion of unclaimed bank balances  
reverting to State

12/7/43

Sent to the Secretary on the Farm for signature and mailed from there on approximately 12/7/43

12/17/43

Dear Mrs. Clark:

It was kind indeed of you to write to me about Drew Pearson's reference to your husband and to me in his column. I regret greatly that the incident caused you distress.

What Pearson wrote was, I believe, intended to be generally complimentary to your husband. He related how, some months ago, the General surprised officers and men of his command playing ball on a landing field, contrary to orders, but that instead of rebuking them he joined in the game himself. The article continued:

"Note: In Italy, however, General Clark has no time for sports - nor for visitors. He wrote friends in Washington recently, 'I am plagued by official visitors. Don't they realize that I am fighting a war, not conducting a tourist agency?'"

To this Pearson added, but not as coming from General Clark: "Latest visitor was Secretary of the Treasury Henry Morgenthau."

The implication was that the General had complained about my visit, which I did not believe, or that he had complained of other visitors, who preceded me and whose visits might be classed with mine, of which I was also quite skeptical. What you write merely confirms my belief that the article misrepresents General Clark most unfairly.

You can be sure that it has not in the least diminished the pleasure and satisfaction I get from recalling the General's great courtesy to me during

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the time I was with him or my high admiration for him.

So far as I am concerned it is a trivial matter which I hope you can dismiss completely from your mind and I am sorry that you have been troubled about it.

Sincerely yours,

**(Signed) H. Morgenthau, Jr.**

Secretary of the Treasury.

Mrs. Mark W. Clark  
The Kennedy Warren Apartments  
Washington, D.C.

*WJ*



## HOTEL FORT DES MOINES

DES MOINES, IOWA

Dear Mr. Morganthau

I learned last night, for the first time, the accusation Mr. Parsons made publicly regarding my husband. For quite some time I have been moving around so rapidly I have had no opportunity to make glances at the newspapers except headlines, nor have I heard a radio broadcast.

Mr. Skupie, of the Treasury from President's office, sometime located me in the little town of Pella, Iowa where I had gone to address the college. He called long distance from St. Louis asking me if I knew how Mr. Parsons received his information. After I assured him I knew nothing and hung up, the more I thought of it the more distressed I became.

Skinner General Clark never made such a statement! In a letter he wrote me just before I left Washington, Wayne told me of the great delight your visit gave him, and you praised his

A TANGNEY-MCGINN HOTEL

Army and also that you spoke in complimentary  
terms of my good efforts. He sent me a copy  
of the lovely letter you wrote him, expressed  
great pleasure in having received it and ended  
"I wish that you of him to send me a box of  
apples from his farm."

I know how you well enough to be convinced  
he never would say such a thing of any one.  
He would not feel that way to begin with and  
most probably he would not give rise to such a  
statement.

Does Mr. Barrow wish to ruin some of  
our officers who are willing to give their life to  
their country and who are facing great  
dangers daily? Is he attempting to cast  
insinuations against a man who is doing in  
a moral way all we can to help in the war effort?

When I return to Washington I am  
going to attempt to find the letter from Weyburn  
in which he speaks so beautifully of you. I have  
kept the majority of his correspondence and am  
sure I have this one at home. As he I wish  
return to Washington until the day before  
Christmas, I shall send it on to you then.



## HOTEL FORT DES MOINES

DES MOINES, IOWA

Hope you had not had too difficult a time reading this for I was waiting for a 6:30 a.m. train in station in Des Moines and trying to write in my lap with my purse as a table. I did however feel so good I wanted to send this to you at once.

You have seen what Wayne and know he is a man of fine character and high standards. I doubt if you for a moment thought such a statement came from him.

With best wishes

Sincerely

Maurice Clark  
(Also Mark Wayne)

December 3<sup>rd</sup>

A TANGNEY-McGINN HOTEL

*Pearson*

HOTEL FORT DES MOINES

Des Moines, Iowa

Dear Mr. Morgenthau,

I learned last night, for the first time, the accusation Mr. Pearson made publicly regarding my husband. For quite some time I have been moving around so rapidly I have had no opportunity to more (than) glance at the newspapers except headlines, nor have I heard a radio broadcast. Mr. Shugrue, of the Treasury Four Freedoms' shows, somehow located me in the little town of Pella, Iowa, where I had gone to address the college. He called long distance from St. Louis asking me if I knew how Mr. Pearson received his information. After I assured him I knew nothing and hung up, the more I thought of it and the more distressed I became.

I know General Clark never made such a statement! In a letter he wrote me just before I left Washington, Wayne told me of the great delight your visit gave him, how you praised his Army and also that you spoke in complimentary terms of my bond efforts. He sent me a copy of the lovely letter you wrote him, expressed such pleasure in having received it and ended "Isn't that fine of him to send me a box of apples from his farm?".

I know Wayne well enough to be convinced he never would say such a thing of anyone. He wouldn't feel that way to begin with and most assuredly he wouldn't give voice to such a statement.

Does Mr. Pearson wish to ruin some of our officers who are willing to give their life to their country and who are facing grave dangers daily? Is he attempting to cast insinuations against a wife who is doing in a small way all she can to help in the war effort?

When I return to Washington I am going to attempt to find the letter from Wayne in which he speaks so beautifully of you. I have kept the majority of his correspondence and am sure I have this one at home. Altho' I won't return to Washington until the day before Christmas, I shall send it on to you then.

I hope you won't have too difficult a time reading this for I am waiting for a 6:30 a.m. train in station in Des Moines and trying to write in my lap with my purse as a table. I did however feel so upset I wished to send this to you at once.

You have been with Wayne and know he is a man of fine character and high standards. I doubt if you for a moment thought such a statement came from him.

With best wishes

Sincerely,

(Signed) Maurine Clark  
(Mrs. Mark Wayne)

December 3rd



OFFICE OF THE DIRECTOR

# TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



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**SECRET**

December 7, 1943

MEMORANDUM TO THE SECRETARY:

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

Due to increased shipping facilities, the Russian Inventory has decreased from 460,000 tons as of September 30, 1943, to 338,000 tons as of November 30, 1943.

A. J. Walsh  
Acting Director of Procurement

LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF DECEMBER 1, 1943  
 (In Millions of Dollars)

SECRET

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$3976.6 (3974.9)	\$1978.1 (1977.1)	\$1558.8 (1558.2)	\$109.8 (109.8)	\$11.0 (11.0)	\$318.9 (318.8)
Purchase Authoriza- tions (Requisitions)	\$3277.7 (3248.4)	\$1726.5 (1710.0)	\$1302.4 (1298.3)	\$44.1 (44.1)	-	\$204.7 (196.0)
Requisitions Cleared for Purchase	\$3192.5 (3166.6)	\$1673.6 (1666.4)	\$1284.8 (1278.7)	\$43.7 (43.6)	-	\$190.4 (177.9)
Obligations (Purchases)	\$3061.2 (3042.3)	\$1640.3 (1631.7)	\$1238.4 (1229.7)	\$43.6 (43.5)	\$8.5 (8.5)	\$130.4 (128.9)
Deliveries to Foreign Governments at U. S. Ports*	\$1500.6 (1491.9)	\$1032.2 (1028.6)	\$427.2 (422.4)	\$19.9 (19.8)	-	\$21.3 (21.1)

\*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 24, 1943.

RF  
 This telegram must be  
 paraphrased before being  
 communicated to anyone  
 other than a Governmental  
 agency. (SQ-00)

Chungking

Dated December 7, 1943

Rec'd 11:59 p.m.

Secretary of State

Washington

CONFIDENTIAL

For security reasons the  
 text of this message may  
 be slightly paraphrased

2335, December 7, 1 p.m.

For account of course of prices September, October see section 1, paragraph 1 of my 2297, of December 1. Ambassador Wei's statement like report of Mark Twain's death. True that prices of a few individual commodities fell in this period due to a number of factors, but this fall was insufficient to reverse upward trend. While preliminary retail price data for Chungking November also reveal maintenance of comparatively (repeat comparatively) gradual upward trend price of only one commodity, tea, actually declined. Most competent observers believe that upward trend of prices will become more marked before Chinese New Year.

FROM ADLER FOR SECRETARY OF TREASURY.

Clear that largely psychological beneficial effects of Chinese overnment purchase of gold have already worked themselves out and that only further sales to public on a significant scale would yield additional

-2- 2335, DECEMBER 7, 1 p.m. from Chungking

yield additional results. (Re your 1731, DECEMBER 2).  
In this connection Kung, in a recent conversation,  
repeated that Chinese Government would probably  
call a halt to large scale importation of gold  
owing to high cost of insurance and transportation  
and sell gold certificates instead. (CF. End of  
paragraph, 3 of my 2228, November 24). Safe to  
predict that sale of claims on gold would neither  
find as ready a market nor yield as high a return  
per unit as would sale of gold itself.

GAUSS

WSE

NOT TO BE RE-TRANSMITTEDU.S. SECRETCOPY NO 12BRITISH MOST SECRETOPTEL No. 400

Information received up to 10 A.M. 7th December, 1943.

1. MILITARY

Italy To noon 6th. Eighth Army. The enemy is now holding a line ORTONA-ORSOGNA-GUARDIAGRELE. Some of our infantry succeeded in crossing the ROHO near its mouth but tanks which crossed became bogged.

Fifth Army Heavy fighting continues around MONTE MAGGIORE. A little progress has been made in places by both British and U.S. troops but other British troops have been driven off MONASTERY HILL. Broad floods GARIGLIANO 8s far as 10 miles upstream.

2. AIR OPERATIONS

Yugoslavia 5th. Mitchells dropped 43 tons on the railway centre and shipyards at SPLIF.

OPTEL 399 not sent to Washington.

OFFICE  
SECRETARY OF TREASURY

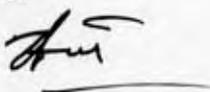
8 PM 1 56

DEPARTMENT

December 8, 1943

MEMORANDUM FOR THE FILES:

I discussed with the Secretary by telephone at Fishkill this morning the deferment cases of Clarence A. Bland, Plate Printer in the Bureau of Engraving and Printing, and F. L. Howard, Assistant Director of the Mint. The Secretary gave his approval to deferments in both of these cases.

A handwritten signature in dark ink, appearing to be "H. S.", with a horizontal line underneath.

THE SECRETARY OF THE NAVY

WASHINGTON

December 8, 1943

PERSONAL

My dear Henry:

On November 24 you wrote me a letter asking if it were possible to make an arrangement for the promotion of the sale of War Bonds by permitting organizations as well as states and cities to undertake to raise the money to pay for a particular ship. The particular question which provoked your letter to me was the expression of a desire from the National Maritime Union, CIO, to raise the money for a submarine chaser. Since this would be a drastic change in policy we gave the question a good deal of thought, and as a result of that consideration we have decided that it would be unwise to embark upon such a policy. The reasons that led us to this decision may be summarized as follows:

The decision to permit cities, counties and other political divisions to finance ships and to have plaques installed was made to encourage very large drives for War Bonds. To open the way for labor organizations, employees, and miscellaneous groups to sponsor smaller ships would tend to detract greatly from the high regard in which the plaques are now held and would in effect make cities and counties less interested in sponsoring such drives.

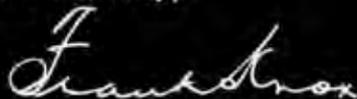
Labor disputes might result in some cases. The presence of a plaque stating that a ship is CIO sponsored, for example, might have unfortunate repercussions in the event AFL men should be working on the ship.

To permit one type of organization to finance a ship and have a plaque installed would open the way for many other requests from groups of various types. It would be undesirable to have the matter wide open and would be extremely difficult to draw a line that would be equitable and satisfactory to all.

I am sorry that I cannot respond favorably to your request.

Yours sincerely,

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



CONFIDENTIAL

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WAR DEPARTMENT  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION G-2  
WASHINGTON

December 8, 1943.

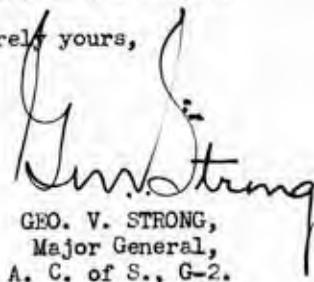
The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

There have been no new developments during the past week in the Argentine attitude to the blocking of the two banks, the situation remaining entirely quiet. It is suggested that the Argentine Government is still waiting some further move by this country in the matter.

Very sincerely yours,



GEO. V. STRONG,  
Major General,  
A. C. of S., G-2.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE December 8, 1943

TO Secretary Morgenthau

FROM Mr. White

Information

The following excerpt from a letter from our Mr. Gunter in Cairo to me may interest you.

"I had lunch with Mr. Illiff [I think this is a member of the British staff usually stationed at Teheran] the other day, and he told me two interesting sidelights on the Moscow conference, which he attended. One relates to two things being stated in military circles in Moscow: (1) if we can divert 30 divisions of Germans from the Russian front, the war will be over in two months, and (2) the air bombing of Germany is now on a large enough scale so that an internal collapse is entirely within the realms of possibility. Not original but significant coming from this source, if true. The other sidelight relates to a movie that Stalin had shown after a dinner for the big shots at the Conference. The picture was about Jap atrocities on the Jap-Russian border fights. After the picture, Stalin is supposed to have turned to his interpreter and said in effect, 'Tell Mr. Hull that as soon as the European war is over we'll help him beat the hell out of those yellow-bellied bastards.'"

NOT TO BE RE-TRANSMITTEDU.S. SECRETCOPY NO. 1/2BRITISH MOST SECRETOUTL No. 401

Information received up to 10 A.M. 8th December, 1943.

1. NAVAL

Indian Ocean 23th. One of H.M. Submarines probably torpedoed a 4,000 ship off the NICOBAR ISLANDS.

2. MILITARY

Italy Eighth Army Throughout 6th out troops maintained contact with the enemy on the line of the MORO. Progress was made despite counter-attacks and on 7th afternoon N.Z. forces made an attack which is believed to have crossed the OKTONA-ORSOCCA Road. Weather has deteriorated and hindered air support.

Fifth Army. In the area between MIGNANO and CALABRETO, U.K. troops have recaptured MONASTERY HILL and gained further ground. All the highest points of MONTE CAMINO are now in our hands and heavy losses have been inflicted on the enemy.

3. AIR OPERATIONS

Western Front 7th. Beaufighters attacked a convoy off NORWAY hitting two small ships.

Italy 5th. 92 Light bombers and 238 Fighters attacked targets in the HOME area and flew supporting sweeps.

Balkans 5th. Kittyhawks damaged a ship off SPLIF.

5th/6th. 9 Halifaxes bombed SALONIKA Railway Station.

6th. Heavy bombers dropped 159 tons on two airfields at WILSONS. Enemy casualties reported 10:5:6. Ours two bombers one fighter missing.

Aegean 6th. Allied Fighters set on fire a tanker at SANTORIN ISLAND.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

18

DATE

TO Secretary Morgenthau

December 9, 1943.

FROM R. E. McConnell

Re: Surplus Property Disposition.

The trend of thinking on this subject has been somewhat as follows:

The flood of surplus property which should be released on armistice day will make the central agency handling this business the largest business enterprise in the world. There are no accurate estimates of the value of this material, but its cost value may well exceed \$20 billion.

To properly staff and organize such an agency under the limitations of Civil Service and Departmental Regulations, without drastic and specific modifications seems unsurmountable, especially since at the time of termination of hostilities there will not be the same patriotic urge for men in the high-salaried category to devote their energy to Government problems.

The Procurement Division of the Treasury is very much handicapped by the restrictions mentioned above; the R. F. C. and its subsidiaries are not anywhere nearly as much under this handicap. Its powers are broad enough so that it can legally devise means for paying what has to be paid to get the work done. The Procurement Division, however, has the ground work and has instituted the paper system and has the nucleus of a field organization upon which to build.

I think Mr. Hancock and possibly Mr. Baruch may be thinking of a means of combining the operational advantages that R. F. C. possesses with the field organization advantages and know-how of the Procurement Division. It may be that they will want to "merge" the Procurement Division with a new subsidiary, or an existing subsidiary of R. F. C.

I have not expressed any opinion in this matter to Hancock or Baruch, but I can see the force of the arguments that might be put forward.

*R. E. M.*

*Finalist*

December 9, 1943

MEMORANDUM FOR THE SECRETARY:

The following items concerning my recent trip to Canada may be of interest to you.

1. The negotiations for a treaty (technically called a "tax convention") to end double death duties were making good progress when I left. Since returning I have talked with Mr. Eldon King who was taking the lead in the negotiations and has returned to Washington. A draft was agreed to which I hope will be acceptable.

2. I was informed that the Canadian Stabilization Program seemed in danger of collapse last summer especially on the labor front but the pressure is now somewhat eased. The reason for the easing of the pressure seems to be primarily some lay-offs in shipbuilding and other industries where contracts have been terminated. These lay-offs together with the fear of the end of the war have reduced labor demands. There was also a strong upsurge of sentiment on the part of the consumers when they saw price stabilization threatened.

3. The new income tax withholding in Canada has caused some problems with workers but reportedly no new problems with employers. One of the principal complaints is the slowness of making refunds of over-withheld taxes.

4. The key people in the Canada Government appear to be Mr. Illsley, Minister of Finance, and Mr. Howe, Minister of Supply. These are the strong men of the government. Mr. Illsley is the key man on rationing, wage control and other aspects of the Stabilization Program.

5. I received the impression that there is some resentment against the British attitude - - and apparently Churchill's attitude, that Canada is helping the mother country rather than fighting side by side in a common war with Great Britain. This attitude particularly irritates Quebec which is still lagging in its war effort. On the occasion of the \$1 billion gift by Canada, Mr. Churchill referred to it only casually in his speech and gave the impression that he thought it was something quite ordinary

- 2 -

which Canada was expected to do while Canada thought it had made a tremendous effort. On the whole the Canadian spirit towards the war is reported to be excellent.

6. Canadians are under the impression that the hardships being suffered there are substantially greater than in the United States.

7. Government salaries have been maintained much more rigidly than in the United States. There have been until recently no pay increases even for persons who have been promoted to more important duties. A friend of mine whose pay was recently raised (in September 1943 retroactively for the whole year) by \$1,000 per year will have \$500 of the raise left after paying his income tax on the \$1,000.

8. There is no rationing of fuel oil although most of it comes from the United States. Perhaps the reason why there is no rationing is partly because there would be no advantage in shifting to coal which is also scarce in that area.

9. The basic gasoline ration in Ottawa is ten gallons a month. Supplementary rations are hard to get. The supply of gasoline in that area comes from the United States by pipelines via Detroit and Windsor.

10. Liquor is very scarce in Canada. The ration in Ontario is 40 ounces a month. Rations as low as 12 ounces per month are reported in some provinces. The strength has been reduced to 70 proof and prices appear to be higher than in the United States. Good brands are very hard to get. This extends not only to whiskey but to all kinds of distilled spirits. Beer is also hard to get. "Beverage rooms" in the Ottawa hotels, which open at 5:00 P. M., are often closed within an hour or so because their quota has been exhausted.

*Roy Blough*

Ack'd by Mrs. Klotz 12/13/43

UNITED STATES DEPARTMENT OF AGRICULTURE  
BUREAU OF AGRICULTURAL ECONOMICS  
Washington, 25, D. C.

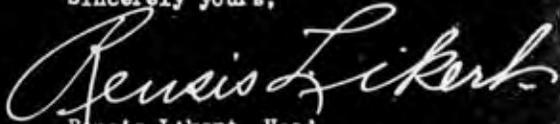
December 9, 1943

Mrs. H. S. Klotz  
Private Secretary to Secretary Morgenthau  
U. S. Treasury Department  
Washington 25, D. C.

Dear Mrs. Klotz:

I am enclosing two more charts to be added to those previously sent Mr. Morgenthau in connection with the results of our survey of the Third War Loan Drive.

Sincerely yours,

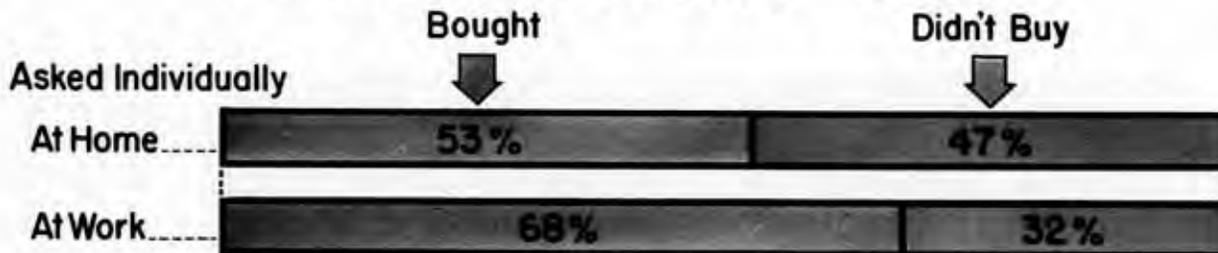


Rensis Likert, Head  
Division of Program Surveys

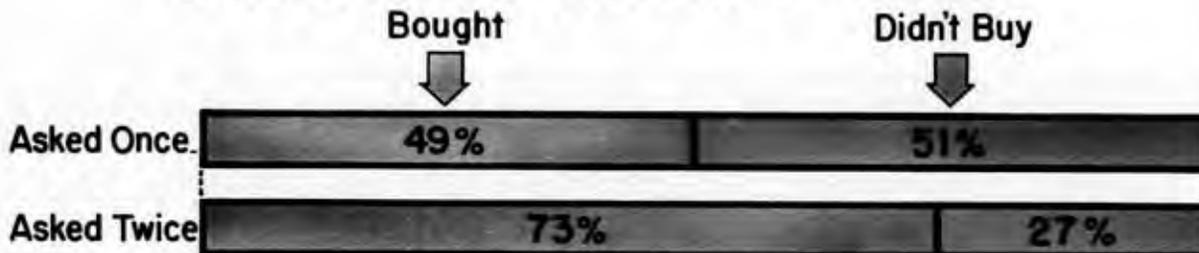
Enclosure



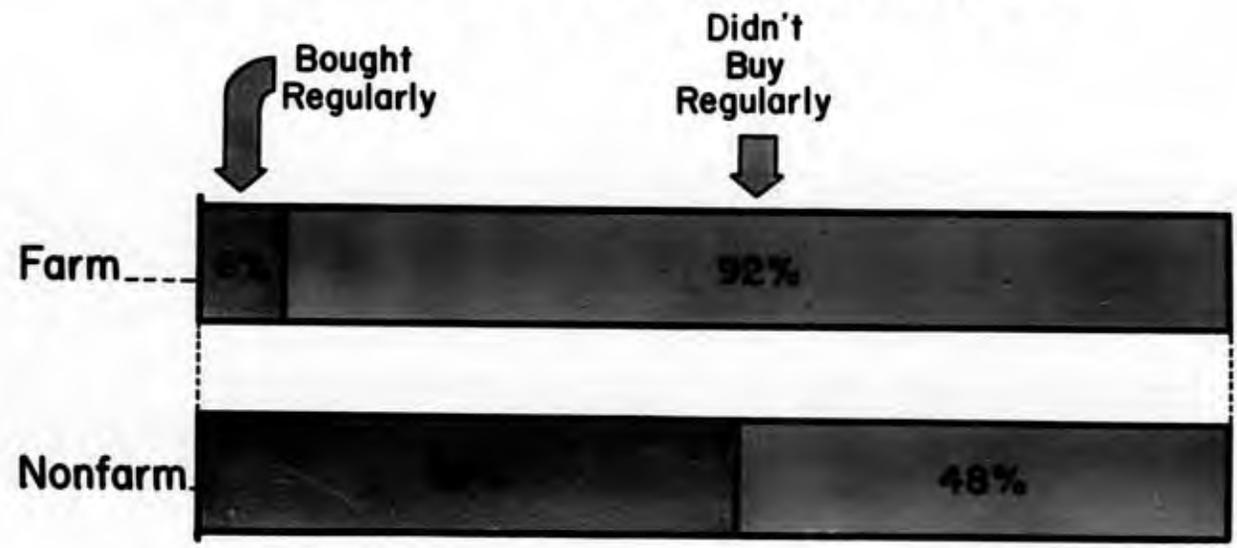
## How Effective Was Solicitation at HOME and at WORK In 3<sup>RD</sup> Drive ?



## What Happened When People Were SOLICITED TWICE In 3<sup>RD</sup> Drive ?



# How Many of the Gainfully Employed BUY REGULARLY between Drives ?



DAILY REPORT

## PRINTED MATERIALS

December 9, 1943

WertzDoneFourth War Loan

- 2 Conference with Mr. Sangster
- 3 Laid out Treasury steps there-  
monster for Mr. Horstman.
- 5 Prepared list of pieces writ-  
ten, quantity and estimated  
cost for Fourth War Loan. This  
list includes all printed items  
approved to date.
- 4 Attended meeting at R. C. A.

To be doneFourth War Loan

- 1 See Separate report

HorstmanDoneFourth War Loan

## COMPLETED

- 1 Designed Record of Progress  
Display for Sub-Treasury. Sub-  
mitted same to Mr. Wertz for  
further disposition.
- 2 COMPLETED - Submitted finished  
art on "Which Are You" folder  
to Mr. Wertz for O.K.'s
- 3 COMPLETED - Submitted fin-  
ished art on "Worker's Ribbon  
Badge" to Mr. Wertz for O.K.'s

To be doneFourth War Loan

- 1 Finish remaining two-  
photo layouts on Hos-  
pitals in America and  
Europe, when Mr. Hope  
gets all photos.
- 2 Follow through on B &  
I Displays and Display  
Kits when further in-  
formation comes from Mr.  
Wertz.
- 3 Follow through on Record  
of Progress (Sub-Treasury)  
when further information  
comes from Mr. Wertz.

December 8, 1945

P R E S S

HOPE

Fourth War Loan

First release outlining plans for Fourth War Loan and giving the quota for individuals sent to all metropolitan and press services, upstate dailies and to all county chairmen, district chairmen and deputies.

Prepared letter for Mr. Burgess' signature to accompany this release to publishers of the ten most important metropolitan newspapers.

Attended Public Relations Meeting at which Mr. Vincent Callahan made a presentation of the radio, advertising, newspaper and motion picture promotion plans for the Fourth War Loan.

Attended first meeting of the War Finance Committee since the Third War Loan.

Interim

Assigned Anspacher to resort to research work at New York Historical Society to find war-time events at the New York City Hall that might be used to symbolize the opening exercises at the City Hall for the Fourth War Loan.

To Be Done

Devise ways and means of obtaining publicity for Community Sales Division's campaign to recruit workers.

P R E S S

SIEGEL

Interim

Met with Roy Goodfellow, Publicity Liaison under Mr. Cotter.  
Met with Mr. Lee on revisions of "Who's Who Booklet" as made  
by Mr. Ford.

Ordered through Mr. Carney, multigraphing of letters to Trade,  
Weekly and Neighborhood editors.

Fourth War Loan

Attended WFC meeting at which Washington presented Fourth War  
Loan Promotion and Publicity plan.

Advised Mr. Hughes to "plant" series of boxes called "Have  
You Invested Today in Democracy" in Greenwich Villager, or  
similar type publication.

Reviewed Press Bureau organization with view to completing  
personnel setup.

Miscellaneous & Routine

Office matters.

To Be Done

Meet with Mrs. Gregory on Traffic & Production.  
Revise distribution sheets.

P R E S S - 2

Moran

Interim  
Routine desk work.

Fourth War Loan  
Attended advertisement and publicity meeting in RCA building.  
Released appointment of Albert Goldman as Bronx committee public relations director.  
Released Burgess's statement.

Things To Be Done — Complete entries in upstate dist. organizational chart, received today from Buffalo office.

Hamilton

Interim  
Conferred with Mr. Karl Gardner on today's press release and received his comment.

Conferred again with him over quoting him in stories and received from him a model and set form that can be used without his okay at any time, but if we vary from it he naturally would like to see the release.

Conferred with Mr. Harry W. Brown, Community Sales on possible use of the "Thermometer cartoons" showing a cannon, firing the shot into the thermometer and Hitler and Tojo's images at the 100 percent mark. This might do for newspaper treatment.

Received from Community Sales more information on The District Directors and will have stories coming forth from now on after the Gardner story is sent out.

Things To Be Done  
Get more information on District Directors.  
Get statement from Mr. Braddicks on how Negro set up is coming along for the Harlem paper.  
Get statement from Mr. J. Austin Daly on how the Foreign Language division is shaping up for use in the various foreign language papers.

Craig

Fourth War Loan  
Attended advertisement and publicity meeting in RCA building.

Hughes

Interim  
Continuing compilation of weekly, bi-weekly and monthly newspapers (with essential information on them).  
Released Mr. Burgess's speech to 50 sectional weekly papers.  
Memoographed and released story about "Business Women's" organizing for Fourth Drive" to feature editors; club and selected business papers.

P R E S S - 3

Liba

Interim

Meeting schedule circulated.  
Continuing work on library.  
"Holy Bible", "Who's Who" in New York, "Who's Who in Engineering"  
were added to library.

To Be Done

Uphold meeting schedules and library.

Smith

Interim

Wrote story on appointment of Albert Goldman as Bronx public relations  
director.  
Telephoned Mr. MacKean, in Brooklyn, and gave full details on Feldman  
presentation ceremonies. Gave him background material for  
story.  
Typed corrections on State Quota story.  
Checked Payroll Savings. Discussed with Mr. Sperber results of  
campaign to sign up WFC employees on Payroll Savings for  
Payroll Savings for possible story.

Things To Be Done

Speak to Mr. Libbriazi re Bond Sales in Department Stories for  
story around Christmas

Jelenko

Interim

Writing speeches for Speaker's Section.

Seeds

On leave.

Anspacher

Interim

Visited New York Historical Society and Museum of New York City.

Mogulescu

Interim

Compiled pictures of "bond buying" for Pic magazine.  
Captioned and sent picture of Louie the Waiter and Zero Mostel to  
Federated Press.  
Routine desk work.

P R E S S - 4

Mogulescu continued

Fourth War Loan

Began compiling additional pictures for Hospital Photo Poster for Women's Organizations

To Be Done

Follow through on Hospital Photos.

Lourie

Interim

Supplied Mr. Lubs with a complete file of back issues of New York State News Letter and also with back copies of News Letter of other states.

Cleared out old News Letter files of dead matter

Working on current News Letter

Attended meeting on Fourth War Loan.

Turned over poetry to Mr. Vreeland for a poetry file

To Be Done

Firemen's script for WNYC for Tuesday night

Current News Letter.

Franklin

Interim

Checked Tribune: they will use Warsaw picture in immediate future.

Gave Telegram requested further information on Miss Ivy, nurse, whose picture appeared in later editions.

Checked with Mrs. Barnes correct titles for women listed in Mr. Hope's Friday release.

Discussed with Mr. Siegel inclusion of this correctly titled list in Press Section manual.

Fourth War Loan 1

Wrote story on women canvassers in the business world for business editors

Discussed in preliminary way with Mr. Vreeland Louis the Walter skit.

Attended meeting in RCA building conducted by Mr. Callahan

SPECIAL EVENTS

BASCOMB

DECEMBER 9, 1943

W. E. TRUBEE

FOURTH WAR LOAN

Donutmobile - Advised Mr. Sugarman that in all probability stamp selling will be done by women of organizations other than those that served during the last Drive.

Flying Fortress Tour - no report.

Community Sales Recruiting Rallies - Meeting with Mr. Vreeland who will explain plans under consideration and what I will be called upon to do.

Liberty Bell and All Church Bells - No report

Foreign Language Group Rallies - Contacted Mr. Daly who will get in touch with me when he has definitely outlined this program.

Women's Special Activities - Contacted Mrs. Barnes who will get in touch with me when she has made definite plans.

Rockefeller Center Ice Show - Hoping to see Mr. Crowell again this week with idea to illuminate ice from above.

Attended meeting in R.C.A. building in the afternoon.

BEATRICE WHEELWRIGHT

FOURTH WAR LOAN

Surprise Visit of Stage, Screen and Radio Stars to local Movie Houses - no report.

Major Musical Events - No report

Auctioning of Walt Disney originals - No report.

MISCELLANEOUS AND ROUTINE WORK

Miscellaneous desk work.

STANLEY OSHAN

FOURTH WAR LOAN

Housewives Plan - Advised by Mr. Harry Brown of Community Sales that the Insurance company group is not in a position at this time to undertake their phase of this operation.

Milk company participation is being investigated.

Discussed this plan with Mrs. Barnes

Peak Days for Armed Forces - Consulted with Mr. Kivlan regarding special event tie-ins.

Sports - Arranging conference with Bob Lee.

Attended meeting at N.B.C.

HERBERT JENNINGS

FOURTH WAR LOAN

Traveling Units - N.Y.C. - Worked out estimated costs for stage units.

Traveling Units - New York State - Awaiting O.K.

-2-

HERBERT JENNINGS (con'd.)

Junior Olympics - Contacted Mr. Mulholland, superintendent of public parks.  
 Banking & Investment Rallies - Met with Mr. Craig, publicity man, regarding these rallies.  
 Millinery Industry Fashion Show - Awaiting second meeting to be held early next week.  
 Labor Rally - Awaiting O.K. on the show as outlined.  
 Duffy Square Stamp Sales Promotional Plan - Awaiting Mr. Lee's O.K. before I complete all arrangements.  
 Attended Winco Callahan's meeting at N.B.C.

LEONARD WOODFOURTH WAR LOAN

Opening of Mecca Temple - Work completed from this end. Awaiting approval from Mr. Ford.  
 Opening Broadcast from White House - Waiting for above.  
 Dress Institute Fashion Show - So far, Institute is handling details of the new type show.  
 Sonja Henis Ice Show - Checked with Garden and wrote memo to permit clearance of letter to the show's producer, Mr. Wirtz.  
 Madison Square Garden Rally - Awaiting decision.  
 Tie-Ups with Major Anniversary Dates - Planning appearance with Mr. Bascome.  
 Attended meeting at N.B.C.

## DAILY REPORT

Army and Navy

December 9, 1943

DONE

KIVLAN

Fourth War Loan

1. Submitted report to Mr. Jones on my meeting with Messrs. Crowell and Carson in Rockefeller Center relative to Army exhibit in Plaza and Army ceremony in rink.
2. Completed arrangements with Willys-Overland Motors officials for spectacular "Jeep" demonstration in our proposed Army and Navy show. Preparing report on this for Mr. Jones.
3. Prepared letter to Robert Moses for Mr. Burgess signature, requesting permission to use "high-spot" Park sites for captured enemy equipment displays throughout New York.
4. Drafted letter to General Drum for Mr. Burgess signature re use of New York Guard Armories.
5. Contacted Mr. Hugh Williams, Chairman Cortland County War Finance Committee, in compliance with Mr. Ford's suggestion, as initial steps to secure captured enemy equipment for display during 4th War Loan Drive.

Interim:

1. Had discussion with Frank Mitchell of Payroll Savings re War Heroes for Payroll Savings meetings.
2. Attended Advertising Meeting at 2:30.

UMLAUFF

Fourth War Loan

1. Assisted in some of above matters.
2. Attended Advertising Meeting at 2:30
3. Routine desk matters

DONE TODAY

Q. I. SMITH

12/9/43

Fourth War Loan:

Posters: Submitted specifications for mounting and easeling Washington posters along with an outline for their distribution and received Mr. Jones' okay.

Checked with Stockwell and learned that there has been a delay in the Railway Express posters inasmuch as the sketch submitted is being held up by the Navy Department in Washington. He will rush art work and estimate to us as soon as possible.

Fourth War Loan Flags: Talked with A. W. Millard representing Annin and Co. who gave me estimates. Prepared specifications on flags in addition with estimate of costs for submission to Mr. Jones. Based upon estimates submitted 135 single-faced Third War Loan flags can be converted and 290 new Fourth War Loan flags purchased for a cost of approximately \$5200.00. If double-faced, the amount will be approximately \$7900.00. I added approximately 50 locations to original flag list from a recently compiled list of flag locations given to me by Mr. Jones which are included in the above figures.

Use of War Bonds in advertising: Received printed ruling from Secret Service Division regarding use of War Bonds and Stamps in advertising. Copies are being prepared which will be distributed to those interested.

Letterheads: Received Mr. Debebian's okay on Advertising Committee letterhead and gave okay to printer.

Attended meeting with War Finance Committee Washington representatives in RCA building regarding Fourth War Loan promotion plans.

TO BE DONE:

Posters: Receive revised art work from Otis Shepard few station poster.

Fourth War Loan Flags: Get specifications and estimates to Mr. Jones for approval.

RADIO

DAILY REPORT  
December 9, 1943

INTERIM

1. Informed by Mr. McManus of Labor Division that the Musician's Union is questioning Lombardo's claim for payment exemption on 3 remotes weekly done for the Treasury Department. I am checking and will advise Feinberg of Lombardo's Treasury tie-up.
2. Received call from A. J. Sterni of Aluminum Corporation of America referred here by Mr. Burgess' office. Wants speakers and P.A. system for a Treasury Flag presentation at their Long Island Plant. Sent memo to Mr. Craik as he should handle it.
3. Attended Mr. Callahan's presentation of the 4th War Loan material, and made appointment with Bill Rainey to go over material for the 56 records to be offered for sponsorship.
4. Writing letters to talent for the Treasury Chamber Music Series on Station WQXR for programs of Dec. 12, Dec. 19, Dec. 26, and January 7th.

SPEAKERS SECTION

D. C. Vandercook

December 9, 1943

No report; working on mailing of Manual on Auctions.

be taxed accordingly, while people who have little or no surplus income over necessities, or who wish to save their money, would not be taxed. At a time when income taxes have already been carried to such extremes and so rapidly, this is the only taxation "in accordance with capacity to pay" that makes sense.

### The Fourth War Loan

The reduced deficit now indicated for the current fiscal year is reflected in the size and terms of the Fourth War Loan, announced last month to extend from January 18 to February 15. The goal is set at \$14 billions, and is to be limited, as was the preceding loan, to individuals and to institutional investors other than the commercial banks, except that the latter may purchase limited amounts of the bonds for the investment of their time deposits. The goal for the new loan compares with \$15 billions asked and \$18.9 billions actually subscribed in the Third War Loan, with \$13.5 billions subscribed in the Second War Loan, and with \$7.9 billions subscribed in the First War Loan. In addition, there were commercial bank subscriptions following the third loan drive of \$3.2 billions, while in each of the first two drives the commercial banks were permitted to subscribe to a total of \$5 billions.

The issues to be offered will be the same as in the last loan, namely, Series E, F, and G savings bonds, tax saving notes, one-year  $\frac{7}{8}$  per cent certificates and 21/26-year  $2\frac{1}{2}$  per cent bonds, but in place of the 10-year 2 per cent bonds there will be offered an issue of 13/16-year  $2\frac{1}{4}$ s.

The increasing efforts during previous drives to broaden the individual subscriptions will receive even greater emphasis during the fourth drive. The quota for such subscriptions has been set at \$5.5 billions, compared with a goal of \$5 billions and actual subscriptions of \$5,377 millions in the third drive.

During the first two weeks of the drive, only sales to individuals will be reported, thus focusing attention upon this part of the program, and avoiding the publicity given to large institutional purchases which might be discouraging to the small investor. All subscriptions for savings bonds and savings notes received at Federal Reserve Banks from January 1 to February 29 will be credited to the drive.

### War Savings Bonds

Sales of war savings bonds during the third drive totaled \$3,300 millions, against \$2,140 millions in the second drive and \$1,000 millions in the first. Of the total in the third drive, sales of Series E savings bonds amounted to \$2,472 millions, and although falling to reach the quota, nevertheless were 68 per cent or \$1 billion higher than sales in the second drive.

Following the heavy purchases during the drive, sales (of all series) fell during the first 26 days of November to a rate of about \$740 millions for the full month, which is less than half that of the level reached in September and October during the drive. Redemptions during the same period of November were at the rate of about \$170 millions for the full month. While this is the highest monthly redemption yet reported and represented a ratio of 23 per cent to sales, it must be borne in mind that as the aggregate of bonds outstanding increases, the ratio of redemptions to current sales will naturally increase also. As compared with the total of over \$26 billions of war savings bonds (including the old "baby" bonds) outstanding on November 1, the monthly redemptions were but slightly above  $\frac{1}{2}$  of one per cent, compared with about  $\frac{1}{3}$  of one per cent on \$13 billions outstanding in November 1942. The trend during the past two years is shown below:

Percentage of War Savings Bond Redemptions to Total Amounts Outstanding

Month	1942	1943
January .....	0.24	0.43
February .....	0.22	0.47
March .....	0.28	0.77
April .....	0.25	0.58
May .....	0.25	0.54
June .....	0.24	0.69
July .....	0.25	0.65
August .....	0.29	0.69
September .....	0.29	0.68
October .....	0.32	0.59
November .....	0.32	0.58*
December .....	0.29	

\* Estimate based upon first 26 days.

It will be seen that the ratios have run higher this year than last, but that November was considerably below many other months this year. The higher ratios this year undoubtedly reflect the heavier selling pressure in connection with the bond drives and the regular payroll deduction purchases, combined with rising taxes and living costs. In view of these facts, the record is excellent.

### "We Owe It to Ourselves"

The rapid rise of the national debt and increase of taxes are causing people to think more and more beyond the immediate problem of combating the inflationary effects of government spending, to the post-war problem of carrying a greatly expanded public debt. Recently Secretary Morgenthau, on his return from a tour of the Mediterranean battle area, reported that he found soldiers worried over the growing debt and fearful that "they'll have to fight the war and pay for it too." Treasury officials, in presenting their tax program to the Ways and Means Committee in October, took cognizance of the post-war debt problem and stressed its importance, as follows:

After the war, heavy interest charges will be a handicap in reshaping the federal budget. During the years when the country is working off the wartime backlog of unsatisfied consumer and business demand.

DEC 9 1943

To: Mr. Livesey

From: Mr. White

Will you please send the following cable to the American Embassy, Chungking, China.

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Reference your cables Nos. 2228 of November 24th and 2235 of November 25th.

Please inform Dr. Kung of the following:

1. Treasury appreciates Dr. Kung's discussing with Generalissimo and Cabinet suggestion made by Treasury with regard to purchase of CN\$400 million per month by U. S. Government to meet U. S. military and civilian governmental expenditures. Treasury is sure that the Generalissimo and Dr. Kung will appreciate why U. S. Treasury feels that U. S. military and civilian governmental agencies should not continue to purchase Chinese national dollars at present rates of exchange.

2. Treasury feels that it could not justify paying more than 1 U. S. dollar for 100 Chinese national dollars or US\$4 million for CN\$400 million.

3. If Chinese Government is not willing to make available in immediate future the requested CN\$400 million per month at cost of US\$4 million, Treasury sees no available alternative to meet immediate situation except <sup>for</sup> to authorize all U. S. governmental agencies to use U. S. currency shipped to China to meet expenditures in China, until more satisfactory arrangement has been worked out with Chinese Government.

4. The Treasury has fully considered interests of China before making this request and feels that granting of price of CN\$100 to US\$1 for U. S. governmental expenditures will be in best interests of China and common war effort.

ISF/efs 11/27/43

STRICTLY CONFIDENTIAL

P A R A P H R A S E

A strictly confidential telegram of December 9, 1943, from the American Embassy at Chungking reads substantially as follows:

Recently numerous intimations have been received by the Embassy that the Chinese Government will approach the Government of the United States for another substantial loan of a political character.

The Embassy does not see any sound basis for giving its support at this time to any such a proposed loan either on economic or political grounds.

There is no lack in China of government and private United States dollar resources. Government balances in the United States, including the dollars 200 million allocated for the purchase of American gold, are thought to be over 300 million dollars and to be increasing each month very substantially. It is estimated that private holdings are between 400 million and 500 million dollars. As a means of combatting internal inflation it is not practicable for China to mobilize her United States dollar inflation and the way in which the 500 million dollar American credit was used does not lead to confidence that there would be a more effective handling of a further loan. Moreover, the British sterling credit made available at the same time as the American loan China has not yet commenced to use.

China has sufficient resources to finance the purchase of such commercial commodities as could be allowed to be introduced even if the Burma Road is reopened. The Burma Road would have to be restricted as long as the war continues principally to military equipment and supplies, most of which would be Lend-Lease.

There is now no need for any further loan from a political standpoint. There is no reason to apprehend that China might seek a separate peace in the light of the military action taken by the United Nations promising complete victory eventually and the restoration of all lost territory to China. It is a fact that in the whole of China's structure, economic, administrative, and military, there is a gradual increasing deterioration but that situation would not be improved, or deterioration retarded by a further American loan at this time. The pledge to continue the war until Japan has surrendered unconditionally, recognition in the Moscow declaration and at the Cairo conference of China as one of the four great powers, and the Cairo declaration which seems to be reassuring, especially in

-2-

reference to Manchuria, in regard to which China has been apprehensive of possible Soviet ambitions, have, for the most part, made sure China's territorial and political aspirations.

Two. The situation in China having been under careful and constant observation leads us to have the convictions which follow: (i) complacency in regard to the war is growing and extends through advisers and influential officers to the Generalissimo. Their disposition is that in resisting the Japs for more than six years China has done her full share and that the full burden of the conflict should now be undertaken by the United States. (ii) A strong disposition exists in the Chinese Government to exploit to its fullest American good will and open handedness which exist and with apparently little or no thought being given by America to refusing China's requests. (iii) Tendency in the formulation of plans and discussions in connection with a powerful and new China shows a definite trend towards a closed economy by which China would be the sole beneficiary and veers distinctly away from those liberal principles set forth in the Hull-què (sic) exchange of notes of May 1941, the Secretary of State's address of July 15, 1937, the Mutual Aid Agreement of June 2, 1942 and other expressions of our post-war objectives for a mutually beneficially world economy.

China must be given credit by any fair minded observer for continuing to keep occupied in China a very large Japanese force which would be used elsewhere if not fully occupied in China. On the Siberian-Manchurian border Soviet Russia has done likewise.

PARAPHRASE OF TELEGRAM NO. 2361 FROM THE AMERICAN  
EMBASSY, DECEMBER 9, 1945, CONTINUED.

No substantial major military effort by China against Japan could be expected by anyone familiar with the logistics of the military situation in the China theater and with the condition of China's armies. Nevertheless, there is much that could and should be done by China but that China is not doing, within the scope of its ability and resources, to help herself and thus promote the war effort by wholehearted assistance to the American Air Force and to other American operations in this theater and by making equitable and reasonable arrangements for the American financing of the war in this area.

At General Stilwell's instance, the Embassy within recent months has been exerting in political quarters a constant quiet effort to impress upon China the necessity of getting ahead with works, such as new air fields, building and improving roads for military transport and communication, etc. It has been found by investigation that China has cut its budgets for such purposes and only under pressure have they been restored. It has also found that there has been long treasury delay in issuing appropriated funds and that the work has thus been delayed. Investigations quietly and confidentially made in assistance to our army have shown indications of extensive corruption, of jealousies, of delays, and of sabotage of honest effort.

Large monthly sums are being paid out by our army to finance air field installations, pay transportation charges, etc. The monthly amounts run to twenty million American dollars or more and are constantly rising. It is stated that our costs are from eight to ten times what would be incurred in the United States for similar facilities and services, this being because the Chinese insist on maintaining a rate for Chinese dollars against United States dollars which is fantastically arbitrary. Runaway inflation in China is such that prices of goods and services have increased 160 to 180 times (16,000 to 18,000 percent) over 1937 levels and the increase in prices continues at a rate of about ten percent per month. The Chinese dollar, however, has been pegged at five cents United States currency (the pre-war rate was thirty-three cents). The Chinese dollar, in relation to price levels and pre-war exchange rates, should not now be worth more than one-half cent to one cent. China has evaded proposals which have been made for some adjustment of exchange or some arrangements under reverse lend lease.

The heavy and increasing monthly expenditures of the Army continue at the arbitrary rate while China quietly builds up at our expense a substantial United States dollar reserve.

It may be

-2-

It may be argued by some that China in its present deplorable economic position is not in a position to assist the United States financially in our war expenditures within China. It is not my suggestion that such expenses should be borne by China but I suggest that China should not exploit the United States in the matter. Realization by China that it is blessed to give as well as to receive and that she will be helping herself by helping us should be encouraged.

I am of the opinion that at this time no further American political loan to China can be justified in the face of all the foregoing.

3. It is my conviction that our attitude toward China should be quietly and persistently firmed; it should be emphasized that there is need for mutual benefit in all our intergovernmental arrangements for exchanges; the necessity of an all-out effort within the limits of China's resources and ability toward winning the war and helping herself by helping us in our war effort in this theater should be impressed on the Chinese, and that there be insistence upon a more equitable and realistic attitude by China in regard to the exchange financing of our American expenditures in this theater for governmental and military purposes.

4. Referring now to the Chinese tendency toward a closed post-war economy, I recommend strongly that without further delay we should quietly put China on notice as to what we expect before policies are adopted by China which later for reasons of oriental face she may not be willing to change, by opening negotiations for our commercial treaty, advancing our proposals in respect of the treatment of American commerce and American financial and industrial interests, emphasizing that mutual consideration and mutual benefit are necessary, and insisting that rights and privileges comparable to those which Chinese enjoy in the United States should be enjoyed by all Americans and American interests in China.

GAUSS

NOT TO BE RE-TRANSMITTEDU.S. SECRETCOPY NO 12BRITISH MOST SECRETOPTEL No. 402

Information received up to 10 A.M. 9th December, 1943.

1. NAVAL

Two of H.M. Destroyers intercepted the German Hospital Ship GRADISKA 35 miles North east of BARI yesterday and are escorting her to port for examination.

2. MILITARY

Italy 8th Army. The attack on ORSOGNA yesterday met with unexpected strong opposition and our troops, being unable to get forward their supporting weapons owing to bad weather, had to fall back slightly.

5th Army. An attack by U.S. Troops and elements of an Italian Brigade against the heights North of MIGNANO is progressing well. COCORAZZO and CALABRITTO are now in our hands and the CAMINO feature is almost clear of enemy.

3. AIR OPERATIONS

Italy 7th. 115 medium and light bombers effectively attacked CIVITAVECCHIA and PESCARA hitting a ship and starting fires in dumps and warehouses at the former place. Spitfires on patrol claim 6 enemy fighters destroyed.

ICE  
TREASURY

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RTMENT

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE DEC 10 1943

TO Mr. Thompson

FROM Mr. Paul

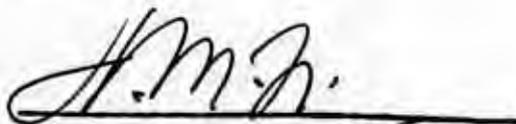
As you know, we may soon be losing to the draft several of the top men in Luxford's shop. In planning the necessary personnel adjustments, I should like to know whether I may count upon a request for deferment for Lawrence S. Lesser, Special Assistant to the General Counsel. Lesser's draft board has not yet sent in the notice pertaining to his re-classification, but it is of importance in our planning that I know at once where we stand in his case.

Lesser is 36 years old, is married, and has one pre-Pearl Harbor child. He transferred to the Treasury from SAC in February, 1942. His present position in Luxford's shop is head of the division handling investigative and enforcement matters relating to Foreign Funds Control. He also is in charge of much of the work presently being done in formulating a program for the post-war release or disposition of blocked assets. Because of his success in this work and because of his top-notch ability and resourcefulness, Lesser is very heavily relied upon by Luxford in all types of problems that arise in the Foreign Funds Control and Liberated Areas fields. Moreover, Lesser's responsibilities will become increasingly greater as other division heads are drafted. Losing him to the draft, coupled with the other losses of top men which we anticipate, would be a staggering blow to this office.

Lesser has indicated that he will not object to a request for his deferment. May I, therefore, have your assurance that such a request will be made at the appropriate time?

APPROVED:

12/15/43



December 10, 1943

MEMORANDUM FOR THE FILES:

I discussed with the Secretary by telephone at Fishkill this morning the deferment cases of William H. Siegfried, Plate Printer in the Bureau of Engraving and Printing, and Robert J. Widmann, Assistant to the Director of Procurement. The Secretary gave his approval to deferments in both of these cases.

  
Administrative Assistant  
to the Secretary.

MEMORANDUM

December 10, 1943.

TO: The Secretary  
FROM: Mr. Sullivan

ALS

At the time you sent me the editorial from the New York World Telegram criticizing the curtness of Internal Revenue forms, I advised you that Commissioner Hannegan was reviewing this entire situation. I attach hereto a Commissioner's Mimeograph to the Internal Revenue Service which we hope will improve the relationships between the Bureau and the taxpayer.

TREASURY DEPARTMENT  
Office of Commissioner of Internal Revenue  
Washington 25, D. C.

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Com.-Mimeograph  
Coll. No. 5606  
R. A. No. 1325  
A. T. No. 413  
T. S. No. 287  
S. I. No. 287  
S.S.U. No. 38

December 8, 1943.

Preparation of Correspondence

DEPUTY COMMISSIONERS  
HEAD, TECHNICAL STAFF  
CHIEF, INTELLIGENCE UNIT  
HEADS OF DIVISIONS  
CHIEFS OF SECTIONS  
FIELD OFFICERS IN CHARGE:

To a greater extent than any other Federal Agency, the Bureau of Internal Revenue deals directly with all the people, by personal contact and by correspondence. Particularly during these times, when our citizens are burdened with the physical and mental strains of total war, the Internal Revenue Service has an obligation to render to the public the most courteous and friendly service possible within the bounds of official relations.

Correspondence is the medium through which the Bureau most commonly comes into contact with the general public. It is my desire that great care be exercised in the preparation of letters to taxpayers to the end that the citizen will feel that the Bureau has a friendly interest in his problems and a real desire to be helpful to him in the discharge of his financial obligations to the Government. Even a reply denying a request can always be made in a tactful and friendly manner. Certainly, curt and peremptory letters have no place in the correspondence of this Bureau.

In the future, therefore, I would like to have all letters reflect a friendly and personal tone. The salutation "Sir", "Dear Sir" or "Madam" and the complimentary closing "Respectfully" will be discontinued. The salutation "Dear Mr. Smith" or "Dear Miss Jones" will hereafter be used, with the complimentary closing "Very truly yours". Business organizations should be addressed with the salutation "Gentlemen".

We have an unusual opportunity to increase the good will of the general public and to enhance the reputation and standing of our service, by being polite and friendly in our personal contacts and in official correspondence with our fellow citizens, and I ask your assistance and cooperation in accomplishing this objective.

ROBERT E. HANNEGAN,  
Commissioner.

## MEMORANDUM FOR THE SECRETARY.

December 10, 1943.

Mail Report

As several of the bills now before Congress are directly concerned with Treasury affairs, correspondents had a wide berth this week, and receipts again ran high. Often a number of the proposed measures were covered in a single letter, the writer perhaps opposing the Treasury's \$10<sup>1</sup>/<sub>2</sub> billion tax plan but endorsing its stand against a sales tax, then upholding its objection to the Bankhead Bill, and finally urging adoption of a national lottery. While disgruntled writers were just as numerous as they were last week, abusive anonymous communications dropped off sharply.

Of the letters that discussed tax rates, 2 out of every 9 favored increases in order that inflation may be curbed and that the war debt passed on to later generations may not be too heavy. The opposing group argued, as before, that most Americans have no excess spending power and cannot, therefore, assume further tax burdens.

The question of a sales tax had more attention than it has had for months, and those who favored it outnumbered the opponents 2 to 1. This ratio does not include, however, a few formal resolutions asking adoption of the C.I.O. tax program, which, of course, outlaws a sales tax. Along with a half dozen objections to the Declaration of Estimation to be made December 15 were 7 sharp protests against

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Memorandum for the Secretary. December 10, 1948.

the phrases "Demand for Installment" and "Demand is made," that appear on the notices just sent out by Collectors of Internal Revenue. The only other tax matter of note was the drive for enactment of H.R. 3472 and H.R. 3473, which was continued at its slow but very steady pace, both by churchmen and laymen.

Bond mail differed from that of last week only in its increased volume. The first part of the week brought a small flurry of letters about rumors that War Bonds will never be redeemed or will lose much of their value; but after two or three days, there were no more of these. Bonds submitted for redemption numbered 69, a small rise over the figure for the past week. The 35 complaints about delayed Bonds from personnel of the War Department also represented a small increase. Bond mail was weighted with sales suggestions which included such ideas as the use of Frank Sinatra and of nylon hose as incentives to Bond buying.

In the miscellaneous mail, there were again a number of completed forms for the census of foreign-owned property. The sale of the dairy herd, the expenditure of \$6 billion in South America as reported by Senator Hugh Butler, and the Patton incident were among the many news events that now and then provoked unfavorable comment on the part of our correspondents.

The Secretary's statement in regard to the Bankhead Bill providing for payment for advertising space, brought in a number of expressions both

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Memorandum for the Secretary. December 10, 1943.

favorable to the Treasury point of view and critical of it. A separate list of comments on the statement in regard to paid advertising of War Bonds has, therefore, been included in the attached report.

*S. E. Forbush*  
*by Kay Pearson*

General Comments

Emma J. Amorose, R. N., Richmond, Virginia.  
I regret I must trouble you about this matter, but I have written to your subordinates repeatedly and failed to secure results, so I feel I am left little recourse but to write to you. \* \* \*  
A Government nurse's salary check was stolen from me in 1942 while serving as nurse in the U. S. Veterans' Hospital in Columbia, South Carolina, about the end of September, 1942. \* \* \* Secret Service men were sent down there to work on the case while I was there. Shortly afterwards, these men succeeded in their work, full restitution was made to the Government for the amount of the check and the case was marked closed. Since then, I have tried repeatedly to secure the amount of this check that is due me by your office, but all to no avail. I have written often to your Department, but nothing ever happened. It has been almost fifteen months since the check was taken from me, and almost as long since the case was closed. \* \* \* I am badly in need of the sum that is due me. I have been off duty for the past seven months because of illness. \* \* \* I am appealing therefore to your humanitarian side -- will you be kind enough to do something for me?

Pfc. David H. Shepard, U. S. Army, University of Michigan, Ann Arbor, Michigan. Please find enclosed a check for my November pay of \$40.25, which I received today. I feel that I should voluntarily do my part in paying for the War while we are fighting it, since your plans for paying for the War and preventing inflation aren't getting enough support. Therefore please add my \$40.25 to the credit side of the War budget.

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Mrs. O. B. Comm, Fargo, North Dakota. \* \* \*  
Sometime ago my son sent some gifts from  
North Africa. Three of these packages arrived  
in Pembina, North Dakota, September 26. My  
daughter went to Pembina, which is some distance  
from Fargo, to try and claim them, but to no  
avail. \* \* \* She was given no definite reason  
why that office would not release them, except  
that they considered the three packages as one,  
valued at \$200. There are two valued at \$50  
and one at \$100. \* \* \* All are plainly labelled  
as bona fide gifts, not goods for sale; all are  
listed, complying to Public 790 and are postpaid  
to Fargo, North Dakota. Although the boxes were  
addressed to Fargo, they have never been sent  
there, and no attempt has been made to deliver  
them, yet the clerk at Pembina is charging  
storage and has threatened to send them back to  
New York as unclaimed. \* \* \* We found Mr. Gill  
at the Pembina office very unsympathetic and of  
the opinion that soldiers should not have the  
privilege of sending goods home duty free. His  
sneering remarks about Army officers were uncalled  
for. We contacted the Fargo Postmaster, and he  
could find no reason for the attitude of the  
Customs Office, or why they do not send the boxes  
to Fargo. I have written Mr. O'Keefe, the Customs  
Collector at Pembina, asking for an explanation,  
but have received no answer. Mr. Gill is his  
deputy and seems to be in charge of the office.  
I am living on an allotment from my son and feel  
that I cannot pay an unjust duty. I am willing to  
pay on the one box, but feel that that man has no  
right to assess duty on those valued at \$50.00.  
Edward has gone to a lot of trouble buying these  
gifts and sending them home, so I do hope you can  
help us.

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Anna Press Smith, Philadelphia, Pennsylvania.  
During the month of July the Commissioner of Documents sent a letter to my husband Lieut. Raymond R. Smith, USN (Ret.) to the effect that books entitled MERCHANT VESSELS OF THE UNITED STATES were available, enclosing form, for him to fill out in the event he desired a copy of this issue sent to him. I forwarded a Postal Money Order of three dollars (\$3.00) to the Commissioner of Documents in reply, requesting that the book be forwarded, as I have done heretofore. About three weeks ago a man called at our house in Philadelphia and informed me he had been sent from the Customs House to investigate Lieut. Smith, and I informed him that Lieut. Smith had been attached to the UNITED STATES NAVY a little more than forty-one (41) years. This man said it was about a book that had confidential information about Government vessels in it. \* \* \* His loyalty to his country was openly questioned by civilian slackers, sent out by your Department. Well, that is a fine state of affairs for the man in the armed forces of his country to look forward to.

Rex S. Roudebush, Attorney at Law, Tacoma, Washington.  
\* \* \* For a long time American investors have been patiently waiting for South American Republics to meet their obligations. With war prosperity existing in most of these countries, there should be no legitimate reason for these continuing defaults as to both principal and interest. While in this state of mind, lo and behold, we have read during the past week of the foolish and stupid spending of this vast sum of the taxpayer's money in South America without even a proviso that these countries would immediately proceed to meet their bond obligations! If all of this isn't stupidity in monumental form, I would like to have the word adequately defined. I am very much

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aroused by this Santa Claus activity in South America. Those holding defaulted South American bonds have a right to be particularly incensed. I am one of these individuals with \$4,000.00 of defaulted Brazilian bonds, and my wife is another with \$3,000.00 defaulted Chile bonds. It is time for Uncle Sam to stop being "mushy". Under the circumstances the payment of these bonds should be arranged for by the American Government without delay.

Mrs. Mary Enstrom, R.F.D. 1, Portland, New York.  
Enclosed you will find a Money Order for \$20 to be put toward the War fund. It won't help much but it will help a little. Now I have lost your letters, but I believe this \$20 makes my gifts the amount of \$57.70. \* \* \* I have earned this last money sewing and selling Victory Pictures. \* \* \* I am working now 18 hours a day sewing and painting so will soon be able to send more money. I sold all my stock and am now giving my complete time. I have 6 Victory Pictures ready to sell, and a pretty silk quilt, and 100 pot holders. My time now belongs to my country until the War is over. \* \* \*

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COMMENTS ON THE STATEMENT IN REGARD TO  
PAID ADVERTISING OF WAR BONDS

Pro-Treasury

P. J. Wood, Secretary, The Independent Theatre Owners of Ohio, Columbus, Ohio. Permit me to congratulate you upon the stand you have taken in connection with the Bankhead Bill, and while \$15,000,000 is hardly worth mentioning in this age of billion dollar expenditures, your action does indicate the right kind of thinking. However, I was disappointed that you failed to mention that the motion picture theatres of the country, through the medium of their screens, also contributed a considerable amount of "space" in support of the Third War Loan. May I say to you that theatre owners are seriously concerned over your suggestion that the admission tax be trebled, as they feel that it is unfair to load such a burden upon the many, many millions of theatre patrons who patronize the low-priced houses. \* \* \*

Mary Howard Keasbey, Morristown, New Jersey. I am relieved and happy to learn that you oppose the Senate-approved plan of November 16 to spend millions on newspaper advertising of war loans, which have already been branded as an "Administration policy for vote-getting." Alas! many of us are making real sacrifices in order to help end the war and prevent inflation, but feel that if our money is to be spent in this way we will not buy more war bonds. People are already deluged with far too much duplicate-printed matter in regard to the Government loans, and hear appeals on almost every radio program, as well as in the very thorough house-to-house canvass that has been made, and many never read newspaper advertising anyhow. We certainly hope the proposal may be defeated.

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\*Copy of letter addressed to Honorable Robert L. Doughton by Ernest Yarbrough, Executive Secretary, Winston-Salem Retail Merchants Association, Winston-Salem, North Carolina. It is necessary to take issue with some of the testimony that has been presented to your Committee with reference to the Bill which would propose to spend between 12 and 15 million dollars for newspaper advertising. To me and hundreds of other citizens with whom I have discussed this proposal, it is a most useless spending of the taxpayers' money. One witness who testified "It cheapens the War Bond advertising to have John Jones' name under the United States Seal," is a slap in the face at the very newspaper for which that party was testifying. According to her testimony, then any merchandise which she has been accepting pay for advertising, is just as cheap. On the other side of the picture, it certainly makes sense that if a merchant who is selling coats, suits, or other merchandise, in an effort to make his living, and pay his tremendous tax burdens, urges his customers to buy War Bonds first, that is as high a recommendation of the War Bond Program as you can find. One of the strong selling points of War Bonds has been that there was a nominal expense in the selling of them. I talked with at least a dozen persons yesterday who expressed the opinion that if the Congress of the United States saw fit to spend 15 million dollars in this most unnecessary manner, that then they had bought their last War Bonds. \* \* \*

E. E. Dean, Los Angeles, California. For once you are right. No one ever bought a war bond because of a newspaper ad.

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S. I. Godley, President, Sternfield-Godley, Inc., Advertising Agency, New York, New York. I read with considerable interest in today's New York Times whereby you oppose a subsidy on War Bond advertising in small newspapers. Permit me to state that I agree heartily with you in this viewpoint. \* \* \*

#### Anti-Treasury

W. B. Barbour, Administrator, War Finance Committee, South Boston, Virginia. I was more than surprised to read a statement from you that the Senate-approved plan to spend \$15,000,000 a year for War Bond advertising would be a "potential waste of Government funds." Also that "it will not help sell War Bonds." Just how you drew your conclusions, I do not know. Whether or not you have ever lived in a small community, I do not know. Whether or not you have ever published a weekly newspaper, I do not know. What I do know, however, is that you know nothing about the weekly paper, one of America's greatest institutions. I am War Bond administrator for a county of forty thousand population, and the entire county is rural. With the gasoline shortage, and manpower shortage, I use the three weekly papers here to carry my War Bond message. I use no other method of advertising the sale of War Bonds, with the exception of getting out 10,000 letters at the beginning of each new drive. \* \* \* It is hard to understand that you, a high ranking public official, would deliberately try to hurt the thousands who operate weekly papers. If you could realize how the boys in the camps love their home town weekly, you would feel very badly about what you have done. I might add that my quota for every drive has been passed, although admittedly too high in every case.

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H. E. Honey, Hartford City News-Times, Hartford City, Indiana. We have been receiving regularly the bond advertisements prepared by the Treasury Department and have tried conscientiously and consistently to find sponsors for many of them. We have met with some success, and in addition have run many of the ads over our own signature as a donation to the war effort. We have felt, from letters we have received from time to time, that the Department considered this an assistance to bond sales. We have noted a goodly response in our own county when these ads were used. On the morning of December 3, there appeared in the press of the larger cities, which circulates here to some extent, especially among business houses, the enclosed clipping which purports to quote you, Mr. Secretary, as saying advertising of War Bonds in cities under 10,000 will not help War Bond sales. We cannot believe, from the communications we have received over your name, that you feel that way about it. However, the statement has done us, and doubtless many other newspapers who have tried to cooperate in this effort, considerable harm. Our bond solicitation the day after this occurred turned up an even dozen firms which referred us directly to this item and declined to help on the particular ad in question. \* \* \* We are not herein speaking of Government-paid advertisements, but the sponsored, cooperative pages we have been working upon and in which we have joined many times ourselves.

Don L. Berry, Publisher, The Record and Tribune, Indianola, Iowa. (Day Letter) Implication of your Associated Press interview this morning is that support of Bond sales by small newspapers has no value to Government. If true, it will save our

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papers and sponsors about two thousand dollars annually to discontinue such support. We have never been strong for the Bankhead Bill because we do not want to join the "gimme" boys. But we would continue to support Bond sales as a patriotic privilege. However, if our support is embarrassment to the War effort, we may as well save expense. Please advise.

Thomas B. Dawson, Publisher, Metropolitan News, Incorporated, West Hartford, Connecticut. Today's press carried your protest over the bill now before Congress to spend certain Government monies for the purpose of furthering the sale of War Bonds. This news item was carried under different headings depending upon the size of the newspaper and the feelings of the individual owners in most cases....The gist of the matter being boiled down to your analysis, then twisted to mean that advertising in weekly newspapers was not worth much if anything. \* \* \* The weekly newspapers in this state, I am sure, want no Government handouts; along with other public-spirited citizens we have worked hard to put over the sale of War Bonds. This writer has received the Treasury Award for distinguished services from your Department for our service to the cause; I believe we are the only weekly newspaper in this state so honored. I must protest, and I am sure I speak for the great majority of weekly newspaper publishers, over the lack of tact in the wording of the news as released and/or printed. Your remarks have been handled in such a way as to lead one to believe that weekly newspaper advertising is just a waste of anyone's money; I know, sir, that this was not your intended meaning.

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Favorable Comments on Bonds

Jules T. Tobian, Dallas, Texas. Every one wants to do something December 7. The Allied conference has already done something "for Japan". The U. S. Congress tried to pass a bill declaring December 7 a National holiday. This was vetoed. I suggest a "Back the Attack" Bond Sale Day. Let the radio, let the newspapers, let all of us in the U. S. voice: "Back the Attack." I venture to say over a billion dollar Bond Sale Day can be had. Let's get to it -- quickly!

W. R. James, Chicago, Illinois, encloses clipping quoting William Green as saying, "The Government will not be able to make good its promise to redeem War Bonds at full face value in current dollars if food subsidies are abandoned." \* \* \* Of all the internal sabotage by irresponsible people, this seems to me to be the worst. Just think of the distrust and misgiving created in those who have scrimped and saved to help our Government when they need it so badly, and to make their future in the uncertain times ahead more secure. My personal opinion is that William Green or any other person making such public statements be promptly and effectively rebuked. Regardless of whether the subsidy plan is approved or rejected, millions of Americans are buying Bonds out of their weekly savings with the faith that their Government will survive regardless of all difficulties, and no doubt should be cast by William Green or any other person or group that our Government will not make good on these Bonds one hundred cents on the dollar at the time of redemption. \* \* \*

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Unfavorable Comments on Bonds

John W. Speckman, Lawyer, Philadelphia, Pennsylvania. Mrs. Speckman has a Defense Bond for \$1,000, the interest on which is payable on the first of May and November. On the first of November, she received a check, which was in the wrong name, and which I returned to the Treasury Department, Division of Loans and Currency, at Chicago, Illinois, for correction. A month has now expired, and she has not received her check. There seems to be extreme ignorance or negligence in the Department in Chicago. \* \* \* The interest on these obligations is extremely low. They are taken principally to show patriotism and an inclination to help the country out of its present difficulties. In consideration of this, I think the Treasury Department should employ competent people, first of all to make out the checks properly, and secondly to correct the errors which they make. Sometime previously we received a check drawn to my daughter's order, on which the name incorrectly appeared. Of course, you can realize that none of us hereafter will, under any circumstances, buy any more Government obligations since the treatment we are receiving is of such character that it is shown that there is no cooperation or consideration for us on the part of the Treasury Department. \* \* \*

Mary Bateman, Baltimore, Maryland. On December 1, 1943, over Radio Station W.C.A.O., Baltimore, between six and six fifteen, the news announcer stated that our U.S.A. War Bonds may reduce in value. That sounds to me like German or Japanese propoganda. But to the General Public, it means their cash, and may result in the withdrawal of many Bonds. \* \* \*

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Miriam G. Coffin, Schenectady, New York. Being heartily in sympathy with your tax program, I should like to do whatever a private citizen can to bring it about. One of the means, however, which your Publicity Department is using in order to sell War Bonds is defeating the very result you are trying to accomplish -- a popular understanding of and support for your tax program. \* \* \* You are losing a marvelous opportunity to teach a few simple facts of economics to the mass of us citizens -- the understanding of which would lead to a strong popular backing of your tax program. You constantly confuse the issue by mixing Bond selling and War Propaganda. \* \* \* It is quite obvious that Uncle Sam will get the airplanes whether or not we buy Bonds. \* \* \* The true reasoning is, "Buy a Bond so that you can help to diminish the tremendous buying power of the nation when goods are scarce, and secondarily, you are making a safe investment." Then you could use all the educational devices available to make us understand the results of not buying Bonds, and not paying high taxes. \* \* \*

A. R. Chenoweth, Fall Brook, California. I have been buying Government bonds from time to time as my income as a farmer permits, but I have this to say: If this Administration has its ear to the ground, it can detect rumblings of distrust and dissatisfaction about the squandering of millions of dollars of the taxpayers' money in the "boondoggling" in South America, as described in Reader's Digest by Senator Hugh Butler of Nebraska. This revelation of what is being done without the knowledge of the public seems like evidence that we have a dictatorship as good as any amateur

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dictators in South America, and it is anything but an encouragement to the public to advance more money to be squandered without the knowledge or consent of the public or its duly elected representatives.

Copy of letter addressed to Treasury Department, Fiscal Service, Chicago, Illinois, by P. W. Eshelman, President, Wilkes Hosiery Mills Company, North Wilkesboro, North Carolina. Referring to your letter of September 30, CR:Cl-31, which has reference to nine Series E bonds, denomination \$25.00, that had been destroyed by fire \* \* \*. It does seem to us that the length of time required to handle this claim is unnecessarily long. We are going to insist upon having some immediate action upon this matter. We are one of the first industrial plants in North Carolina who secured a 100% pay roll deductions in bond sales and the fact that this claim is being delayed so long has had a very bad effect upon the sale of bonds. A copy of this letter is being sent to the Treasury Department in Washington because we think they should know how long it requires for your Department to issue duplicate bonds. This matter has been pending for almost a year.

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Favorable Comments on Taxation

Gertrude Byfield, Grand View, Idaho. Dear Henry:-  
We have been listening to you and Congress bicker  
over the tax bill till we'd like to turn you all  
over our collective checkered apron and paddle you!  
If you want to cut down the loose spending power,  
do it at the first end, instead of the last. Make  
it necessary for the big wages (that's the most of  
the loose money, as you darn well know) to be paid  
partly in victory bonds which cannot be cashed for  
a certain time. Now get busy!

G. E. Matter, Upper Darby, Pennsylvania. If by any  
chance the enclosed copy of a letter to the Chairman  
of the Finance Committee (Senate) would hearten you  
and your co-workers, we will be cheered. Backing  
the attack, on the home front, is our motive. \* \* \*  
(Excerpts from letter addressed to Senator Walter F.  
George by Mr. Matter) \* \* \* Only a dozen years ago,  
our National income approximated fifty billion  
dollars. The people were taxed. No one starved  
because of this low national income. \* \* \* Now the  
National income is stepped up to approximately 145  
billions. If this Nation was ever able to pay back,  
it is with such an enhanced National income. The  
war is no excuse for not doing so. If half of the  
goods produced by the Nation is expended in war; or  
if it is voluntarily dumped into the Atlantic Ocean,  
it does not change the monetary distribution, nor  
the debt-paying capacity of the Nation. \* \* \* Contrary  
to what is generally supposed, future generations  
cannot actually pay for the cost of this war any more  
than they can fight this war. If through some trick  
of bookkeeping future generations are asked to  
contribute to the price of this war, to whom do they  
pay? Those who received unrighteous profit during the

- 15 -

war? To those, who by virtue of their position, took more than they deserved? Equitable taxation at this time would preclude the question, as well as define the patriotic duty of all Americans. Most soldiers have to take less than they received before induction, not to mention the risk of life and limb. The white-collar class actually is getting less. General Marshall and General McArthur, whose importance to the Nation at this time is second only to President, receive a mere \$11,000 with no favor on food and clothing. Such as the above do not lack patriotism. Another class cries to blue heaven - "Unfair" - "Unconstitutional," etc., when it is suggested to limit them to \$25,000 for the duration. \* \* \* Each loose dollar is a Jap. If the men in Washington are indifferent to loose dollars, maybe the soldiers should be indifferent to loose Japs. By taxing the loose dollars out of circulation, you can still have the middle class; and the millionaires, too. They may even find that they can actually live on less than \$25,000. The writer knows some very respectable people who live on less. \* \* \* With experience from the past and vision for the future, can there be any other logic, - but to tax. \* \* \*

Mr. and Mrs. Richmond Wheeler, Berkeley, California. Please accept our appreciation of your great effort to obtain an adequate tax program without resorting to the dangerous sales tax. It is gratifying to know that the Secretary of the Treasury is trying to equalize the tax burden despite great pressure of corporate interests to the contrary. We sincerely hope your effort to mitigate the disaster of inflation and protect security of the masses (to some extent) will be successful. You surely have a tough job on your hands.

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William F. Darmitzel, Past National Vice Commander and National Service Officer, Disabled American Veterans of the World War, Albuquerque, New Mexico. While I may not always be in 100% agreement with you in the matter of taxes, I do fully agree with your views as to the unfairness of a Federal Sales Tax - and your statements on Monday to the effect that we shall have a "stupendous bill left behind from this war" and that "if we pay in taxes any less than we can now afford to pay, we shall be unfair to those who must face the accumulated bill after the war has been fought and won." \* \* \* No one could possibly disagree with your excellent statement - and none should fail to enact a tax bill which will not require this burden of our fighting men and women. Even we disabled veterans whose benefits for service incurred disabilities are not now taxable, should be interested in seeing to it that a fair bill is enacted for our benefits come from taxation of such income as a few veterans have from other sources. \* \* \* Wishing you success in your rather "unpleasant task" of obtaining adequate and just taxes while our national income is large, I am, with kindest regards, (Signed) William F. Darmitzel.

M. J. Rivise and Family, New York City. Please be assured that "the man in the street, in the factory" is behind you in your request for higher and proper assignment of taxes. You know as we do that the newspapers are unfairly handling this important issue and using it to embarrass our great President and you. These newspapers do not represent the majority of the American people. Thanks for a dignified portrayal of American needs. Yours for victory.

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Ivan McKeever, Upper Darby, Pennsylvania. \* \* \*  
We agree with the Treasury Department that more taxes should be raised now. We believe these taxes should be high enough so that everyone will know that they are making a sacrifice, rather than securing benefits because of the national war efforts.

Anonymous - Postmarked Grand Rapids, Michigan.  
While our boys are away fighting and dying for "our way of life," we at home are living in luxury, with more money than ever before, and most of us are willing to pay extra taxes. By refusing to pass anything but a token tax bill, Members of Congress are "just passing the buck," as well as the tax burden upon the returning soldiers. Why not be fair and honest and notify the boys that we are saving our War debt for them to pay, when and if they return? These soldiers might not enjoy hearing about this and will probably want to do something about it at the next election.

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Unfavorable Comments on Taxation

Edward L. Allison, C.L.U., Engle and Allison (Estate Planning - Life Insurance Annuities), Tulsa, Oklahoma. As a small business man who tries to keep up with what is going on at Washington, I have been much intrigued with the reports in the press of your appearances and the appearances of your tax expert, Mr. Randolph Paul, before committees of the House and Senate. At this distance, it is difficult to be convinced that the Treasury Department is offering recommendations to the Congress based on any of the traditional standards covering sound methods of taxation. On the contrary, it would appear that you are more interested in reforming our economy and liquidating small business and the middle class. You gentlemen have a good deal to say about the large amounts of surplus national income, but you are inclined to ignore the location and flow of the major portion of this surplus. It hardly seems consistent to advocate an increase of ten and one half billions in the Federal tax bill, mainly to head off inflation, while at the same time offering tax measures which would load most of the additional burdens on groups of citizens who are now most heavily burdened. \* \* \* Tens of thousands of people in the middle salary brackets and small business and professional people have had very little increase in gross income, but all their costs of operation have increased, office rent, clerk-hire, supplies. At the same time, their income taxes have increased five to tenfold. They are the folk who have established comfortable standards of living, have commitments toward home purchase, toward adequate life insurance programs. There is no inflation hazard in these groups; national averages and total national income have no meaning where they are concerned. Actually the people in the middle class are being badly hurt now and living standards or thrift programs must go by the board. \* \* \*

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Harold Lewis Smith, Consolidated Vultee Aircraft Corporation, San Diego, California. This is a protest against the method pursued by the Collector of Internal Revenue, Los Angeles, and the Deputy Collector of Internal Revenue, San Diego. It is also a request for full investigation to be made of these two persons and their handling of a claim by the Income Tax Section against the writer for additional taxes for the year 1938. The Chicago Office of the Income Tax Section reviewed the books of the writer during 1940 and claimed additional taxes for both 1938 and 1939. The additional taxes for 1939 were paid in full shortly after this claim. Before the 1938 additional tax could be paid, the writer suffered severe financial reverses. \* \* \* In December 1941, the writer's business failed, and he came to California to accept a position with this company. Early in 1942, the writer made an offer to pay the additional tax in full at a monthly rate of \$25.00. This was accepted in writing and the amount of the additional tax was stated to be \$280.58, including interest and penalty. This amount was paid in full, receipt of which is in the writer's possession. Before full payment had been made, the Deputy Collector, San Diego Office, telephoned the writer and asked him to stop in again. At this conference the Deputy Collector stated that they wanted to check the amount of the payments which had been made. There was a discrepancy at that time of approximately \$20.00 between the receipted amounts and the acknowledged amounts from the Los Angeles Office. \* \* \* The Deputy Collector thereupon stated he would write to Los Angeles as to the \$20.00 difference in payment and would determine if there was any additional claim over and above the \$280.58. Nothing further

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was received from anyone until November 12 last, at which time the Deputy Collector filed a garnishee for \$376.88 on the writer's salary with his employer. \* \* \* A telephone request by the writer to the Deputy Collector resulted in no information except the generality "that if I paid my bills I would not have garnishees, and that if I did not know about the additional tax I certainly should have known about it." No paper or any other legal claim has been served upon me or brought to my attention here in San Diego, even though I have completed payment for the \$280.58. In the absence of information from the Deputy Collector, San Diego Office, a letter was written to the Collector for this District at Los Angeles, Harry C. Westover, asking for (a) details of the alleged claim, and (b) to release the garnishee. No action or acknowledgment of that letter has been received. In the absence of recognition of this request, the matter was turned over to a local attorney who wrote to the Collector of Internal Revenue at Los Angeles for information. No reply has been received to that letter. I repeat, there is no desire to avoid the payment of just and proper taxes, but I believe that a citizen of the United States is entitled to know why a Deputy Collector of taxes can garnishee his salary without first having acquainted that citizen with a justification for such claim. \* \* \*

Warren Hardy, Lawyer, Seattle, Washington. The Sales Tax has proven to be the most efficient and painless method of taxation in every State in which it has been enacted into law. The opposition to it by your Department and in Congress coincides with the axiom that "The higher in politics, the more noise and the less intelligence." A Sales Tax

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is the only form of taxation that discouraged, directly, inflationary spending by the public. In a national emergency like the present, it is difficult to understand why our tax programs should be founded so much upon party lines. \* \* \*

Fielden L. Poirier, Owner, Blanchard Trading Company, Blanchard, Idaho. We, the people, are very much interested in your request for an additional ten billion dollar tax program. We are back of you one hundred percent as to supplying our Soldiers, Sailors, and Marines that are serving on the Seven Seas, and all lands of the globe, with all the equipment and supplies they can possibly use. In fact, we insist that you furnish this equipment and supplies, and we will furnish the money. The question in the people's minds is just why are you New Deal Bureaucrats trying to pull the wool over the American People's eyes so completely with the necessity for more taxes for the War effort? Don't you really think that we know the Bureaucrats are still spending money like a bunch of Drunken Lumberjacks? \* \* \* We cannot help but wonder, when we go to pay the three million Government Bureaucrats? \* \* \* We common people are backing the war effort with all our energy and finances. We want this war to end and have our boys come home soon. \* \* \* I am just a little Country Storekeeper, been here for 32 years, still trying to make out the thousands of reports the Bureaus keep sending out, comply the best I can with all the New Deal Regulations, sell Defense Bonds to my neighbors, help in the U.S.O. Drive, sell Red Cross Stamps, T.B. Stamps, and do anything that will help out just a little. My income from my store and farm is under \$2,000 a year. I buy a \$100 Bond each month, and have been since the War started. Are you high-salaried Government employees doing as much?

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C. H. Adams, Treasurer, R. E. Sage Company, Importers and Manufacturers of Syrups and Extracts, Natick, Massachusetts. The delay which you apparently think is necessary in paying the Drawback on Alcohol used in the manufacture of extracts, imposes a considerable hardship on the small business company. It certainly cannot be lack of help as the inspectors go over every item with a fine tooth comb, asking for formulae, where we buy the alcohol, and our books showing to whom extracts are shipped; and then go directly to 6 of our customers each quarter to see if we did sell them, even though we are required to swear that we have made the sales. Reports filed last July surely should be paid by now; you require that we file in 30 days or be fined; why not have that work the other way? Yours for a better system.

Joseph J. O'Brien, Development Engineer, Brooklyn, New York. While employed in the Brooklyn Navy Yard, I was required to file a statement showing my dependents and claims for exemption with reference to the application of the payroll tax withdrawals, and in doing so I definitely stated that I was devoting about sixty percent of my income to war work. Without making a single inquiry of any nature, and in the face of official knowledge that I was intensively engaged on important and needed war inventions, the completion of which required the equipment and operation of an experimental shop, the full amount of twenty percent (20%) was taken from my weekly income. After making a hopeless struggle to complete the important war work upon which I was engaged, in the hope of rendering a vital national service and gaining an honorable income from it, I formally tendered my resignation to the Commandant of Brooklyn Navy Yard, which was formally accepted. A review of my expenses shows that I have

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spent over sixty percent of my total income for equipment of my experimental shop, the purchase of technical books, tools, materials, machines, supplies, and the expenses incidental thereto. My total income for the period from the first of July of this year down to the present time has been that received for services as a Civil Service employe in the Brooklyn Navy Yard. Under the law the withdrawal of the entire twenty percent (20%) is not justified in the circumstances, and amounts to an effective penalty against independent creative engineering work to aid the national war effort, and petition is hereby made for an early refund of the excess amount paid into the Treasury, under the above circumstances. \* \* \* It is the duty of anyone who can develop, discover, or invent better methods of national defense, to exert his best efforts to perfect such methods. \* \* \* When I accepted assignment to the Civil Service position, I was asked what salary I wanted, and I replied that "I was first interested in security," and by that I meant the security needed to enable me to complete the above and other military and naval inventions in strict secrecy. Congress has given no Government official the power or authority to discriminate against a person so engaged, and to arbitrarily reduce his income so that completion of the work was economically impossible. \* \* \*

E. E. Riedinger, Ishpeming, Michigan. I am enclosing a report of the FINANCIAL POSITION OF THE FEDERAL GOVERNMENT which was issued on May 24, 1939. I call your attention especially to the table and note on the bottom of the first page. The large increase in the direct debt as of June 30, 1939 of 22½ billions over the direct debt as of June 30, 1927 certainly is

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appalling and this occurred before the war. The present debt, of course, is many times what it was then. It certainly indicates that expenditures of the Federal Government have skyrocketed beyond all reason. It would seem to any intelligent person that nonessential expenditures could very easily be reduced by  $10\frac{1}{2}$  billions instead of maintaining these activities. Members of your own party in Congress have made a survey of nonessential agencies and have shown that expenditures of  $10\frac{1}{2}$  billions can be saved without in any way affecting the War Effort. It appears, however, that the present Administration is not interested in any economy, but prefers to tax and spend. \* \* \* It would be interesting to know what percentage of the receipts received for sales of War Bonds actually are spent in the War Effort. I for one believe a large portion is used to maintain the unprecedented large number of bureaucratic agencies. \* \* \*

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

December 10, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended December 1, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*CMB*

FEDERAL RESERVE BANK  
OF NEW YORK

December 9, 1943.

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended December 1, 1943, showing dollar disbursements out of the British and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,  
Vice President.

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

Enclosure

COPY

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

Week Ended December 1, 1943

Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	DEBITS				CREDITS						Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales (b)	Transfers from Official Australian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)				
First year of war (1) for period through	1,792.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	426.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
Second year of war (2)	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Third year of war (3)	1,235.6	904.8	7.7	223.1	1,361.5	1,199.7	214.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Fourth year of war (4)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	355.3	916.7	+ 308.3	10.3	1.0	- 9.3
<b>1943</b>													
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3	99.5	35.3	0.1	24.1	120.4	-	-	41.5	36.9	+ 68.9	-	-	-
Nov. 4 - Nov. 1	48.2	24.4	5.8	18.0	81.4	-	-	3.5	79.9	+ 35.2	-	-	-
Nov. 2 - Nov. 29													
<b>Total 1943</b>	214.5	72.7	16.5	62.3	279.9	-	-	59.0	263.5	+ 136.9	-	-	-
November 17	12.6	7.4	-	5.2	21.9	-	-	-	21.9	+ 9.3	-	-	-
November 24	6.4	2.9	0.1	3.4	26.5	-	-	2.0	26.5	+ 20.1	-	-	-
November 31	4.7	1.4	-	3.3	8.5(k)	-	-	1.5	7.0(l)	+ 3.8	-	-	-

British Bank Deposits, Since Outbreak of War  
 (Total Bank Deposits June 30, 1943) \$87.5 million  
 (Total Bank Deposits June 30, 1942) \$77.6 million  
 (Total Bank Deposits June 30, 1941) \$74.9 million  
 (Total Bank Deposits June 30, 1940) \$71.4 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 4.4 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

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

Week Ended December 1, 1943

Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$Rnds(e)	Total Debits	Transfers to Official British A/C	Others	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war (a)	323.0	16.6	306.4	304.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Second year of war (b)	677.2	16.6	460.6	707.4	334.8	20.9	110.7	41.0	+ 230.2	37.9	14.5	43.4	62.4	30.1	12.3	+ 4.5
Third year of war (c)	225.8	0.3	225.5	366.3	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	360.0	+ 40.5	107.2	37.4	49.8	112.2	17.2	95.0	- 5.0
1943																
Jan. 3 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	+ 11.0
Sept. 30 - Nov. 3	28.5	-	28.5	83.9	-	0.1	-	83.8	+ 52.4	44.9	41.5	3.4	41.7	-	41.7	+ 3.2
Nov. 4 - Dec. 1	18.4	0.1	18.3	100.4	-	5.8	-	94.6	+ 82.0	5.7	1.5	2.2	18.3	-	18.3	+ 12.5
Year ended:																
December 31	5.0	-	5.0	47.2	-	5.7	-	41.5	+ 42.2	0.1	-	0.1	1.0	-	1.0	+ 0.2
November 17	2.9	0.1	2.8	16.1	-	-	-	16.1	+ 13.2	1.0	-	1.0	0.9	-	0.9	+ 0.1
November 24	4.9	-	4.9	13.8	-	0.1	-	13.7	+ 8.2	2.0	2.0	-	0.4	-	0.4	+ 1.6
December 1	5.6	-	5.6	23.1(f)	-	-	-	23.3(g)	+ 17.7	2.6	1.5	1.1	16.0(h)	-	16.0(h)	+ 13.4

Monthly Expenditures for

First year of war 6.2 million.  
 Second year of war 8.9 million.  
 Third year of war 10.1 million.  
 Fourth year of war 13.9 million.  
 Fifth year of war (through December 1, 1943) 7.4 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.  
 (b) For monthly breakdown see tabulations prior to October 8, 1941.  
 (c) For monthly breakdown see tabulations prior to October 14, 1942.  
 (d) For monthly breakdown see tabulations prior to September 29, 1943.  
 (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.  
 (f) Does not reflect transactions in short term U. S. securities.  
 (g) Includes \$ 12.1 million deposited by War Supplies, Ltd. and \$ 11.0 million received from New York Accounts of Canadian Chartered Bank.  
 (h) Includes \$15.0 million to be paid to the Government of Australia.

FROM: AMERICAN EMBASSY, CHUNGKING  
TO: Secretary of State, Washington  
DATED: December 10, 1943  
NO.: 2365

## CONFIDENTIAL

Kung's reaction to Treasury proposals regarding matter of reverse Lend-Lease or some other arrangement concerning exchange financing of U.S. Army and other expenditures in China has certainly not been encouraging. Before pressing the matter further, Adler is awaiting comment from Treasury, but he is far from sanguine that further informal approaches will be productive.

Also, Kung's reaction to our proposals for reverse Lend-Lease was equally unsatisfactory (see our telegram of November 5, 1943, no. 2055) and within production (with introduction?) of proposals by Treasury I have not felt that the Lend-Lease suggestion should be pressed by me.

The tentative proposal of the War Department in the event of failure of negotiations by Treasury is merely a repetition of the proposal which General Somervell put forward (see our telegram of October 20, 1943, no. 1990) except that the amount required monthly is raised from 5 to 6 hundred million Chinese dollars. The reaction of Kung to the Somervell plan was plainly adverse. A cold reception will certainly be given to a new proposal by War Department.

Treasury may desire to push its negotiations further. It is recommended by me that if they are not successful, State, War, Treasury, FEA and other interested war agencies should consult and a strong formal approach for reasonable equitable financial exchange arrangements, preferably within the general framework of reverse Lend-Lease but assuring China of some reasonable accumulations of U.S. dollars resources, should then be made to the Chinese Government.

It is felt by me that since China is highly sensitive to U.S. public criticism and opinion, some carefully controlled publicity regarding existing arbitrary exchange situation in China as effecting the costs which must be paid by us for financing the war effort here--costs 8 to 10 times those payable for comparable services and facilities in the United States--and a possible suggestion of interest in the matter on the part of Congress would be beneficial here in lighting a fire under those persons inclined to be evasive and non-cooperative and desirous of continuing to exploit the situation for the purpose of accumulating large reserves of U.S. dollars out of our expenditures for the war effort.

eh:copy  
12-15-43

GAUSS

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH .OST SECRET  
U.S. SECRETOPTTEL No. 403

Information received up to 10 a.m., 10th December, 1943.

1. NAVAL

On 9th/10th motor torpedo boats sank one sli, in a small convoy off the Dutch Coast.

2. MILITARYITALY. 8th Army. In the Adriatic sector on the 8th Canadian Forces, with strong tank support, attacked across the River marc. After heavy fighting they established a bridge-head and made good their initial objectives on the high ground to the East of the ORTOFA-ORSOGFA Road. Bridges were started at once behind these positions for passage of armour and supporting arms.

5th Army. The attack on the heights north of the MIGNANO GAP continues. U.S. troops secured the summit of MONTE SANBOCAPO, 3 miles west-south-west of VERRAFRO. In British sector 46th Division captured two 88 mm and five 75 mm guns, 30 machine guns and some motor vehicles, all in good order.

3. AIR OPERATIONSITALY. 8th. 109 heavy and medium bombers dropped 300 tons on railways and other objectives in Central ITALY. 217 light bombers and 427 fighters attacked objectives in the battle area. One enemy aircraft destroyed, two light bombers and two fighters missing.GREECE. 8th. 97 heavy bombers dropped 127 tons on two airfields at ATHENS. Two bombers missing.SECRETARY  
OF  
TREASURY  
1943 DEC 13  
Regraded Unclassified

December 11, 1943

(Sent by the Secretary while  
he was at the Farm)

Dec 11<sup>th</sup> 1943

Hon Sam Rayburn  
Speaker of the House

~~Your speech before the~~  
of my heartiest congratulations ~~to~~  
your speech for our unity.  
Believe me the country needed  
it badly. Sincerely yours,

Mr J

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# The New York Times.

## DEC 10 1943

### RAYBURN ASKS END TO DANGEROUS TALK

Calls on House to Fight Trend  
to Complaints on Shortages  
and Inflation Curbs

LEAD THE PUBLIC, HE URGES

Voicing of 'Fears' About Allies  
Is Denounced in Rare Speech  
as Disunity Propaganda

Special to THE NEW YORK TIMES.  
WASHINGTON, Dec. 9.—Speaker Rayburn warned an attentive House today of "dangerous trends" in public talk about the war, and equally dangerous efforts of groups and individuals to profit by it at public expense. He urged members to combat these tendencies among their constituents during their Christmas holidays.

In one of his infrequent appearances in the well of the House, Mr. Rayburn spoke to the more than 300 members present of trends that have been disturbing.

These included, he said, complaints about "supposed sacrifices" the public has to make because of supply shortages caused by the war, expressions of fear of what Britain and Russia may do to American interests when the war is over, and the tendency of some groups to "think more about their post-war position than about winning the war now." He was repeatedly applauded.

"I know that every man and woman here loves his country," he said, "and I am addressing these remarks not so much at the Congress as at the people at home. I do think some of them have been led to think wrong."

#### Examples of "Dangerous Talk"

Examples of "dangerous talk," Mr. Rayburn said, are the public voicing of fears that after the war "England is going to stride the world like a colossus" and that Russia may "try to communize the world."

The fears voiced about the British he described as "dangerous propaganda calculated to bring disunity among us and those allied with us."

"It is a reflection upon the intelligence of American manhood and womanhood," he added, "to hold that we do not have patriotism and brains enough to sit around a peace table with anybody on the face of the earth."

Of the supposed problem of "what we are going to do with Russia or with what Russia is going to do to us" when the war is over, the Speaker said:

"What I am interested in in 1943 and 1944 is what Russia is doing now. If Russia is going to try to communize the world, that strange doctrine will find root in American soil only when the American people are willing to accept communism and not until then. Our American form of government will prevent any other outcome."

#### Warning on "Whispering"

The Speaker also warned against "whisperings" about mistakes which the country's military and naval leaders may have made, linking this caution with comment about the Patton affair, which he called "tragically unfortunate."

Military mistakes have been made, he admitted, but he said these were largely due to the fact that "we were attacked when we were unprepared and decisions had to be made in a hurry, almost overnight." Even if months had been available for making such decisions, he added, some mistakes would have been made.

If criticism of the military leadership goes on and Army and Navy officers "are called into the open to answer questions that many times should be asked in executive session," Mr. Rayburn said, "the time may come when these officers may fear to make decisions,

upon which the fate of a hemisphere may depend."

There is also too much of a public tendency, the Speaker asserted, to demand "ceilings for the other fellow but not for me; uncontrolled inflation on what I have to sell but controlled prices on what I have to buy."

Regarding complaints of shipment of American supplies to our Allies, he said:

"I would rather send bullets and bread to the armies of the Allies to fight on their fronts than to have to send more of our boys to fight on all fronts."



## THE LIBRARIAN OF CONGRESS

WASHINGTON

December 11, 1943

My dear Mr. Morgenthau:

The Provident Trust Company of Philadelphia has submitted an offer of \$2500 in cash for the property at 6021 Delancey Street, Philadelphia, which was acquired by the Trust Fund Board through foreclosure of a mortgage in the amount of \$3000. A photostat copy of the communication is enclosed.

This offer has been considered by the Under Secretary of the Treasury who sees no objection to the sale in accordance with the pending proposal. I recommend acceptance of the offer.

Faithfully yours,

*Archibald MacLeigh*  
Archibald MacLeigh  
The Librarian of Congress

I vote <sup>(in favor of)</sup> ~~against~~ acceptance of the offer.

*scwB*

*Jm h.*

The Honorable  
Henry Morgenthau, Jr.  
Chairman, Library of Congress Trust Fund Board  
Secretary of the Treasury  
Washington, D. C.

Enclosure

PROVIDENT TRUST COMPANY  
11/22/43 OF PHILADELPHIA

ESTATE DEPARTMENT

HARTON BREWSTER

FRANK J. SMITH

WILLIAM D. FULLER

FREDERICK J. SCHAEFER

JOHN H. ZANE



SEVENTEENTH & CHESTNUT STS.  
PHILADELPHIA, PA.

November 18, 1943

Library of Congress Trust Fund Board R.E. 3  
6021 Delancey Street

Mr. Archibald MacLeish, Librarian  
Library of Congress  
Washington, D. C.

Dear Mr. MacLeish:

We hold as an asset in the above account premises 6021 Delancey Street, Philadelphia. Title was acquired at Sheriff's Sale in August 1933, through the foreclosure of a mortgage of \$3,000.

An offer of \$2500. cash has been received for the purchase of the property, which is outlined in detail on the attached sheet.

Our Real Estate Committee has considered the offer and has recommended that it be approved as it is equal to the appraisal and in view of the possibility of future structural repairs becoming necessary.

Will you kindly present this offer to the Library of Congress Trust Fund Board and advise us if you approve of the sale?

Very truly yours,

W. W. Donaldson  
Real Estate Department.

LHA  
Enc.  
Sales

November 18, 1943

OFFER FOR REAL ESTATE: LIBRARY OF CONGRESS TRUST FUND BOARD R. E. 3

Book value: \$4197.35 Premises: 6021 Delancey Street  
Philadelphia, Pa.

Price: \$2500. Cash: \$2500.  
Mtge.: Payable:  
Rate: Amortized:

Commission: Broker: \$125.  
P. T. Co. 62.50

Estimated Annual Income and Fixed Carrying Charges:

Rental Income:		\$360.
Fixed Charges:		
Taxes and Water Rent	\$82.00	
Repairs (1% of Bk. Value)	\$41.97	
Com. on Collections	\$18.00	
Miscellaneous (Ins. Allow- ance for vacancies)	\$60.00	
		<hr/>
		\$201.97
	Estimated Net Return	\$158.03

Rented at \$30. per month

Contemplated Reconditioning: \$ None Structural: \$ Not necessary yet.

Return @ 4% on Cash \$92.50 plus contemplated repairs: None  
plus \_\_\_ return on Mtge. \_\_\_\_\_, a total of \$ 92.50

Appraisal: \$2500. by G. A. Ansley 11/6/43

Property: Two-story brick solid row dwelling with porch, containing seven rooms and bath, having hot air heat and electricity. The age of the property is approximately 35 years. It is in fair condition.

Neighborhood: White residential section.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Dec. 11, 1943

TO Secretary Morgenthau

FROM Mr. R. D. White *RDW*

SUBJECT: The Canadian U.S. Dollar Exchange Problem

Canada's gold and U.S. dollar balances have reached a level where something must be done to reduce them. You will recall it was agreed last Spring that steps should be taken to maintain Canadian balances at between \$300-\$350 million.

At the close of November, the Canadian Government held \$714 million of gold and U.S. dollars. This includes about \$100 million of net proceeds from security sales which under the terms of the agreement are not considered as part of Canada's reserves but are set aside for the repatriation of Canadian securities held by Americans. At the time we agreed to this request, we were given to understand that during the remainder of the year these proceeds would approximate \$100 million, the amount outstanding of two Dominion bond issues which the Canadian Government was desirous of repatriating. As these two issues were repatriated in September, the total of Canada's U.S. dollar receipts set aside for this purpose since January 1 amounts to roughly \$200 million.

Excluding the \$100 million of security proceeds currently held by the Canadian Government, Canada's official gold and U.S. dollar reserve is now about \$620 million, or \$270 million more than the maximum amount agreed upon last Spring as appropriate for this Government to assist the Canadian Government to maintain. This represents an increase of \$170 million since the close of June. This increase occurred despite the cancellation of over \$100 million of contracts in September. The current outlook is for continued improvement in Canada's position.

Mr. Clark of Canada was here Tuesday, December 7, at my request, to review the situation and to explore the possible measures for correcting it. The following developed from the discussion:

- A. Canadian supply people estimate that by the end of this year Canada will owe the U.S. Government \$115 million for goods delivered under Lend-Lease; that is, for reimbursable lend-lease. F.E.A. people, on the other hand, recently informed us this backlog amounted to \$50 million or \$65 million less than the Canadian estimate. We have sent a letter to F.E.A.

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Research

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asking them to submit bills for these goods as soon as possible hoping thereby to have some light thrown on the discrepancy. Mr. Clark also promised to have his people check the estimate they gave him.

It was agreed that Canada should make a lump payment on account for these goods as soon as more is learned concerning the actual amount involved. If the Canadian estimate is correct, such a payment would reduce Canada's dollar balances to about \$525 million by the end of this year; if the P.E.A. estimate is correct, however, such a payment would leave the balances at about \$600 million.

3. There are only two contracts with about \$20 million of goods still to be delivered which, in the opinion of Canadian officials, should be cancelled immediately. Of the remainder there are some which may be of dubious character but the Canadian supply people assert our procurement people, for one reason or another, are reluctant to terminate them. Among these contracts are:
  1. A contract for Bren-Guns for China which Canada states it is willing to take over under its Mutual Aid Bill. However, the Canadians assert our Army wants to retain control for reasons of prestige. It is possible there may be good reasons why the Army should retain control of these goods, but it seems to us that in the absence of overwhelming considerations there are better ways of spending \$10 million.
  2. Contracts for common-type munitions, the destination of which is unknown until after they come off the production line and are assigned by the Joint Assignment Board. The Canadians assert that our service people are also reluctant to have these contracts transferred to Canada on the ground that they prefer to retain control. This is difficult for us to understand in view of Dr. Clark's admission last Spring that any assignments made by the Canadian Mutual Assignment Board would be governed by the general pattern laid down by the British-U.S. Joint Assignment Board.

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- c. Contracts for planes to be lend-leased to Britain to meet the latter's obligation under the Empire Air Training Plan. Dr. Clark offered no reasons as to why they could not be taken over by Canada.
- d. The Commodity Credit Corporation is purchasing grain in Canada. We have no information as to what kind of grain is being purchased or to what use it is being put. Dr. Clark thought as much as \$115 million may have been purchased to date.
- e. In addition to the proposal to pay for reimbursable lend-lease and to cancel two contracts aggregating \$20 million, Dr. Clark suggested the following steps to reduce Canada's balances:
  1. Assumption by the Canadian Government of the obligation of the Metal Reserves Corporation to make capital advances up to a maximum of \$10 million to develop certain marginal base metal mines in Canada.
  2. The assumption by the Canadian Government of the cost to the U.S. Government for airfield development in North West Canada. This is estimated by the Canadian Government to be \$30-\$50 million.
  3. Payment by Canada for goods received under Canex requisitions--that is, for goods received by Canada and charged to U.K. in exchange for other goods purchased here by Canada and used in that country for production for British account. Goods so delivered are estimated by the Canadians to amount to \$40-\$50 million.

In view of the Canadian Government's assertion that there are only two contracts, on which only a relatively negligible amount of goods remain to be delivered, that our procurement people would wish to cancel, and in view further that the other suggestions made by the Canadian Government to reduce their

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balances are totally insufficient for the purpose at hand, it is suggested that we make a thorough canvass of U.S. Government agencies for information on the type of transaction being conducted in Canada and for comments as to the desirability of the continuance of these transactions. Drafts of proposed letters to be sent to the agencies concerned asking for such information are attached for your signature.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 11, 1943

TO Secretary Morgenthau

FROM Mr. White

Subject: Gold and prices in Free China.

Information

1. You will recall that Ambassador Wei, in conference with you on November 30, commented that prices in China were no longer rising and in fact had begun to decline because of sale of gold by Chinese Government and announcement that \$200 million of gold was being obtained from the United States.
2. The attitude taken by Ambassador Wei was in line with other statements made by leading Chinese officials, including the Generalissimo. Thus, the Generalissimo, in conversation with Ambassador Gauss, said that the gold being made available by the United States was doing much to strengthen public confidence and that this was being reflected in the greater stability in the prices of necessities.
3. Adler, in reply to cable asking him to comment on Ambassador Wei's views, indicates that there has apparently been a decline in the rate of increase in prices, but prices are continuing to rise. Moreover, it is expected that the upward trend in prices will become even more marked in the near future. Furthermore, Adler gives the Chinese Government's gold sale program as only one of many reasons for whatever decline has taken place in the rate of increase of prices.
4. There is increasing evidence that the Chinese themselves may call a halt to large scale imports

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Division of Monetary  
Research

of gold because of the high cost of insurance and transportation and that they will sell gold certificates instead. Thus far the equivalent of about \$10 million of gold has been shipped to China. Very little of this gold, however, has as yet been sold to the Chinese public and, instead, the Government of China has been mainly selling the small gold holdings - about 50,000 ounces - which it had within Free China itself. Gold is still selling at the equivalent of about US\$500 per ounce at the official rate of exchange.

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking.  
FROM: Secretary of State, Washington.  
DATED: December 11, 1943, 7 p.m.  
NUMBER: 1784

FOR ADLER FROM THE SECRETARY OF THE TREASURY.

Reference your cables nos. 2228 of November 24 and 2235 of November 25.

Please inform Dr. Kung of the following:

1. Treasury appreciates Dr. Kung's discussing with Generalissimo and Cabinet suggestion made by Treasury with regard to purchase of CN\$400 million per month by U. S. Government to meet U. S. military and civilian governmental expenditures. Treasury is sure that the Generalissimo and Dr. Kung will appreciate why U. S. Treasury feels that U. S. military and civilian governmental agencies should not continue to purchase Chinese national dollars at present rates of exchange.

2. Treasury feels that it could not justify paying more than 1 U. S. dollar for 100 Chinese national dollars or US\$4 million for CN\$400 million.

3. If Chinese Government is not willing to make available in immediate future the requested CN\$400 million per month at cost of US\$4 million, Treasury sees no available alternative to meet immediate situation except for all U. S. governmental agencies to use U. S. currency shipped to China to meet expenditures in China, until more satisfactory arrangement has been worked out with Chinese Government.

4. The Treasury has fully considered interests of China before making this request and feels that granting of price of CN\$100 to US\$1 for U. S. governmental expenditures will be in best interests of China and common war effort.

HULL

NOT TO BE RE-TRANSMITTEDU.S. SECRET  
BRITISH MOST SECRETCOPY NO. 12OPTEL NO. 404

Information received up to 10 A.M. 11th Dec. '43.

1. NAVAL

1 of H.M. minesweeping trawlers sunk by mine off Northern Sardinia 8th. 1 of H.M. Submarines sank a caique on the 1st and 1 H.M. Submarine sank a trawler on the 9th in the Aegean.

2. MILITARY

Italy. 8th Army. In coastal sector some progress made in very heavy fighting throughout 9th and against several counter-attacks all broken up with heavy enemy losses. A second bridgehead has been established about 4 miles North West of Lanciano in spite of considerable opposition.

5th Army. North of San Pietro, which is still in enemy hands, U.S. troops have made some progress against stiff resistance. South of Cassino road, British troops have captured Rocca South West of Monte Maggiore after hard fighting.

3. AIR OPERATIONS

Western Front 10th. 8 Mosquitoes (2 missing) successfully attacked railway and canal communications in Northwest Germany.

10/11th. Aircraft despatched: Leverkusen 25 Mosquitoes, Krefeld-Werdigen 2 Mosquitoes, Cologne 1 Fortress, leaflets 4 Wellingtons and 6 Fortresses. 20 Enemy aircraft operated over East Anglia of which a small number penetrated the London area. 3 D.C. 217 destroyed by 1 Mosquito and 3 more D.C. 217 damaged. Some bombs were dropped at widely separated places in Essex and Suffolk including 7 airfields, 3 fatal casualties reported so far, damage to property at Southend.

Italy 9th. 36 Mitchells effectively attacked Terni railway centre dropping 50 tons. 24 light bombers and 36 fighters (3 missing) successfully attacked communications south of Rome. 60 Mitchells dropped 77 tons on road and railway bridges at Giulianova North West of Pescara. 115 Warhawks and 112 Invaders attacked objectives in the battle area dropping 65 tons and starting many fires. 1 Invader missing.

OFFICE  
 NOT TO BE RE-TRANSMITTED SECRETARY OF TREASURY

12  
 1943 DEC 13 COPY NO. PM 3 44

BRITISH MOST SECRET  
U.S. SECRET

TREASURY DEPARTMENT

OPTEL No. 405

Information received up to 10 A.M., 12th December, 1943.

1. NAVAL

One of H.M. Submarines torpedoed a 6,000 ton ship in the GULF OF GENOA on the 6th. Destroyers bombarded SAN BENEDETTO, south of ANCONA, on 9th/10th. Mist prevented observation of results.

2. MILITARY

ITALY. To noon 11th. 8th Army. The Canadian advance along the Adriatic Coast continues in spite of bad weather and fierce enemy resistance supported by tanks. Repeated counter-attacks were beaten off with heavy loss due largely to our artillery fire and bombing. In one area large numbers of enemy dead have been found. Some more prisoners captured.

5th Army. The enemy put up strong artillery and mortar fire west of PALLIGNANO (five miles north of VENAFRO) where U.S. troops repelled a counter-attack.

3. AIR OPERATIONS

WESTERN FRONT. 11th. 489 Fortresses and 93 Liberators with escort were sent to EYLEM. 525 attacked dropping 1,326 tons with fair results. 17 bombers and 3 fighters missing. 11th/12th. 18 Mosquitoes bombed DUISBURG.

ITALY. 10th. 47 Marauders bombed railway bridges at VENTIMIGLIA. 24 Invaders attacked CIVITAVECCHIA setting fire to a 10,000 ton ship. 1,098 fighter and fighter bomber sorties were flown over the battle area.

BULGARIA. 10th. 31 escorted Liberators dropped 76 tons on SOFIA railway centre. Enemy casualties - 10, 0, 2. Cors, two fighters.

December 13, 1943  
10:00 a.m.

GROUP

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

H.M.JR: Paul, I don't know whether you saw this thing in the paper or not (referring to clipping from the New York Sun, December 10, 1943, entitled "Unable to Serve Schenck Subpoena").

I saw this little clipping where they say that Mr. Boris Costelanetz, Special Assistant United States Attorney, is prosecuting the case - the Bioff case - refusing to let testimony be submitted in regard to Schenck, and the Judge is investigating it. It seems so funny. Judge Bright and the jury of Federal court - efforts to subpoena Mr. Schenck because of Government intervention - why should the Attorney General of the United States keep evidence from being presented?

MR. PAUL: I don't know anything about it. Do you want me to look into it?

H.M.JR: Would you? And then I would like to know where the John L. Lewis case is. I mean, I read somewhere the Attorney General had three hundred F.B.I. men looking into it.

MR. PAUL: The last time I talked about it I was with the Attorney General at a party and he told me that they thought they had a case - not income tax, but another sort

- 2 -

of case - and they were debating which Court, whether to bring it out in the Illinois, or here in the District.

H.M.JR: Well, would you make a point--

MR. SULLIVAN: They sent back the income tax case, didn't they?

MR. PAUL: Whether they sent it back or not, I don't know, but Biddle told me that he had given that aspect of it up and was interested in the other end of it - some criminal case under the labor laws.

H.M.JR: Would you give me a report on it?

MR. PAUL: Yes.

H.M.JR: And then I don't know how many of you have seen this letter from Mr. Hull in regard to my letter of the 24th regarding sending money into Rumania.

MR. PAUL: I heard about a letter. I am not sure that is the one.

H.M.JR: I don't think there is more than one.

MR. WHITE: That is the one. The boys have prepared both a memorandum and an answering letter.

H.M.JR: Hasn't Paul been in on it?

MR. WHITE: I suppose he will be. He probably hasn't gotten it yet. I think that letter just came in.

H.M.JR: It is dated the 6th; today is the 13th. I mean, we are making such a point of keeping him on a timetable. I think we better stay on a timetable. It is some letter! You haven't seen it yet?

MR. PAUL: I don't think I have.

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MR. WHITE: (To Mrs. Klotz) When did you give it to Mr. Pehle?

MRS. KLOTZ: Well, I have a note outside when I gave it to him.

MR. WHITE: I don't know whether you did; I made him available my copy.

MRS. KLOTZ: No, I turned it over to you. You gave it to DuBois, didn't you?

MR. WHITE: Mr. Pehle and they got together. I asked them to prepare an answer and a memorandum, which they did Saturday. I suppose they didn't clear it.

MR. PAUL: I was only here a short time Saturday.

H.M.JR: Let's get together at three o'clock today; that will be you two gentlemen (Paul and White), and Pehle and DuBois.

MR. WHITE: That is right, and Luxford.

H.M.JR: Will you tell your people?

MR. PAUL: Yes.

H.M.JR: You had better study it before you come in, Randolph. That is some letter.

MR. PAUL: I would expect to. I don't usually try to take those cold.

H.M.JR: The only other thing that I have - that is, everybody has been leaving me more or less alone. I was the aggressor. I had Burgess up and I sounded him out about things. I would like you to keep it in mind that I don't want the Fifth War Loan until June, so that we could have the next one after elections, see, Dan? I don't want to be caught with a War Loan just before elections. So you might be thinking of balances, and so forth. I hope you agree.

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MR. SULLIVAN: I had in mind that that is the month in which they pay an income tax instalment.

H.M.JR: Doesn't make much difference.

MR. HAAS: They had one in September which is similar.

H.M.JR: It doesn't seem to make much difference.

MR. SULLIVAN: I wanted to be sure you hadn't overlooked it.

H.M.JR: I had, as a matter of fact. No reason why I should overlook that.

MR. BELL: That is the reason I figured it for May.

MR. SULLIVAN: There was a lot of comment in September.

H.M.JR: Well, I will put it this way: I only want three, and the last one I want after elections. I would rather have it after elections, if we have to have it. During income tax--

MR. BELL: September would be too close to elections, I take it.

H.M.JR: Yes, yes, yes.

MR. BELL: I am afraid we will have to borrow some money from the banks.

H.M.JR: That is all right. I would rather borrow it than have them cut my throat.

MR. BELL: I will see what we can do.

H.M.JR: I will give you the anchor that I don't want but three loans, and I don't want the third one until after the election is over. I don't care much when the second one comes.

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MR. BELL: Well, with only three I think we will have to do some bank-borrowing in between.

H.M.JR: That is all right. You might do something with insurance companies.

MR. BELL: I think that is one thing we ought to consider. Maybe we could reopen some of the drives - securities every two or three months - and get enough there, too.

H.M.JR: Randolph, open some with the insurance companies.

MR. BELL: You might be able to bring in the corporations at this time and eliminate them altogether at that time, and have three individual drives during the year.

H.M.JR: Mr. George wanted twenty billion dollars.

MR. BELL: Ransom's estimate, also.

H.M.JR: That would help.

MR. BELL: A little bit.

H.M.JR: Incidentally, that figure this morning of the Budget, that is going to be ten billion less. Is that anything new?

MR. BELL: I only just started to read that as I came in here. I think it referred to the 1945 budget.

MR. PAUL: Beginning to anticipate what comes out in January.

H.M.JR: We'll go around the room.

John?

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MR. SULLIVAN: Bob would like to come over and see you sometime this week.

H.M.JR: Is Bob in town?

MR. SULLIVAN: Hannegan.

H.M.JR: Anything special?

MR. SULLIVAN: Yes, you name it.

H.M.JR: You say he has something?

MR. SULLIVAN: Yes.

H.M.JR: Well, I told him I was going to have the two of you for lunch, didn't I?

MR. SULLIVAN: I didn't know whether you remembered that or not.

H.M.JR: Do I ever forget that kind of thing?

MR. SULLIVAN: No, not permanently.

MR. BELL: Not permitted to. (Laughter)

H.M.JR: "You know," he says, "Bob wants to come over and see you." (Makes gestures of wiping mouth) "Do you remember Bob wants to come over and see you?" (Tightens belt) (Laughter)

All right, you and Hannegan tomorrow.

Any other business?

MR. SULLIVAN: Yes, I want to see a memorandum you spoke about earlier in the day.

H.M.JR: Oh, if you stay afterwards--

MR. SULLIVAN: Right.

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MR. SMITH: Shall we have a press conference today?

H.M.JR: Why?

MR. SMITH: I don't know. I am merely asking. Are you going to have a press conference, question mark?

H.M.JR: Do you know any good reason why I should?

MR. SMITH: No.

H.M.JR: Neither do I. Out!

MR. PAUL: I know a number of reasons why you shouldn't. (Laughter)

H.M.JR: Why?

MR. PAUL: Well, there will be the perennial question which will be particularly difficult to answer today, on the tax bill.

H.M.JR: Incidentally, I read the testimony of your (Sullivan's) man, the liquor fellow.

MR. SULLIVAN: Berkshire.

H.M.JR: Yes. He didn't get an awful good press. And I would like to know what we do on this interlocking directorates of liquor companies, monopolies, and what is our record. Could I have a report in twenty-four hours on that?

MR. SULLIVAN: Certainly.

H.M.JR: Because he certainly didn't handle himself too brightly on that. I mean, you got the impression we weren't doing anything, and I think poor Herman Oliphant would turn over in his grave if he read that.

MR. SULLIVAN: All right, I will get a report for you.

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Incidentally, if they go to quarts, we will have bottles enough to take care of the extra liquor, with the cut-back, and the period liquor can remain tax free in our warehouses is reduced from eight years to five.

H.M.JR: I don't understand that expression.

MR. SULLIVAN: You know that Senator George proposed that the tax-free period be reduced from eight to four years.

H.M.JR: And I confirmed it.

MR. SULLIVAN: That is right. There will not be bottles enough to take care of the liquor that will be forced out, that goes to four years. There will be bottles enough to take care of it if it is cut back to five years, and I think it might be well for us to indicate that to the Senator.

H.M.JR: Well, I was going to say, this whole business of going to quarts instead of four-fifths, there was nothing in his testimony.

MR. SULLIVAN: I know there wasn't. I had it out with him Saturday morning.

H.M.JR: As I say, I thought the case was handled very badly.

MR. SULLIVAN: I think I know why, too. I don't think they are with us on this thing.

H.M.JR: Let's fire him, then.

MR. SULLIVAN: He is with us now.

H.M.JR: It is too late now. Why isn't he with us?

MR. SULLIVAN: Oh, I think there has been too much of a disposition over there to get along comfortably with the industry.

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MR. PAUL: I don't know whether this is significant, but the other day in the session of the Finance Committee - Executive Session - Berkshire made a report that was particularly on this question of draw-back, and at the end of the report Clark make a protest and said something - he made a protest saying that he would reserve the right to bring this question up again by an amendment or on the Floor, and he said he had no confidence in what was submitted by the Alcoholic Tax Unit, that they weren't frank with the Committee.

H.M.JR: Well, Berkshire has been in there about eight or nine years, and if there is any monkey business going on - the first two years in the Treasury I spent half of my time on liquor enforcement. If I have got to get back in it again, I will get back in again.

MR. SULLIVAN: I don't think there is any monkey business, sir.

H.M.JR: Whatever it is--

MR. PAUL: Berkshire is certainly an able fellow.

H.M.JR: I was going to call you on the phone, and then I said I wasn't going to fuss about those things when I was away. But, my God, Harold Graves knows this whole liquor business. He went all through with me. We had better put that on the agenda. I won't stand any kind of monkey business on that thing. How much time do we have, handolph, to sort of pick up the pieces?

MR. PAUL: So far as the tax bill is concerned--

H.M.JR: Tax bill, or on this Investigating Committee.

MR. PAUL: Well, on the tax bill, we appear to have an indefinite time. They are not going to finish the bill, I don't think, before Christmas recess.

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MR. SULLIVAN: I had an awful time getting them interested in this black market thing over there. Now Bob is all right on this. What I wanted to do was to sit down with Bob and Harold and Stewart.

Bob was in Philadelphia and Camden Saturday, going through those offices. But I will talk with him today so he will be in a position to talk with you tomorrow.

H.M.JR: Why don't you have Graves and Berkshire over here waiting on calls, say, from quarter of two on, tomorrow.

MR. SULLIVAN: I will.

H.M.JR: See? Will you do that?

MR. SULLIVAN: Yes, sir.

H.M.JR: And you have the thing ready for me. I know it pretty well, you know. It isn't very difficult. But I think we might still pick up the pieces. I don't want to see, during my administration in the Treasury, this thing going back again, with the situation what it is now, if it can be remedied. I am willing to testify, see?

MR. SULLIVAN: Yes, sir.

H.M.JR: I am willing to testify because I got a very poor impression after reading Berkshire.

MR. SULLIVAN: That was in the press.

H.M.JR: But I only read from the press.

MR. SULLIVAN: I will get the other.

H.M.JR: I would like--

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MR. PAUL: I would like to see his testimony, too, John - the actual transcript.

H.M.JR: I would like to know what we are doing about this whole interlocking directorate business. Have it simple - the number of bottles on hand, and the whole business, and then, what is the matter with Berkshire on the thing. I mean, I would like a report. And don't pull your punches, please, because it is your responsibility.

MR. SULLIVAN: I understand that. That is right.

H.M.JR: I mean, it is you. It is like they say, the battle is the pay-off. I mean, if something goes wrong, it isn't the captain or major, it is the colonel.

MR. SULLIVAN: That is right.

H.M.JR: The fact that Berkshire isn't interested--

MR. WHITE: We have had one experience with Berkshire about a year ago in connection with alcohol, and had a couple of boys dealing with him. I think I mentioned it to you at the time. They reported to me in almost the identical words, the statement that John made; it is their definite impression of him, that he plays pretty close to the industry.

H.M.JR: When I came in I had this red-headed fellow - he limped--

MR. BELL: Doran.

H.M.JR: And he was a powerful fellow; oh, he was powerful. Well, off went his head, just like that. And the industry then hired him.

(Note handed to the Secretary)

Marvin McIntyre just died.

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MR. PAUL: I would like to say this about Berkshire, that I have seen him testify a good many times and I don't know anything about his interest in the work, or any of that part of it, but he is a very able witness. He knows his stuff and gives that impression.

H.M.JR: Yes, but look, when they ask the Treasury - my God, the report that Oliphant did with the help of Sammy Klaus on tracing the liquor industry to the boot-leg days back to the central brain in England was one of the most remarkable pieces of work that has been done in the Treasury.

MR. PAUL: I wonder if we couldn't use Sammy on this job.

MR. SULLIVAN: I think Stewart is perfectly honest. He is very able. I think what has happened to Stewart - and I have seen it over a period of the last four years - he has become more and more a champion of the status quo and he changes his way of doing things.

H.M.JR: It is too bad that somebody wasn't up on the Hill, if they knew this.

MR. SULLIVAN: Well, I talked with Stewart before he went up. I thought he was right enthusiastic. I don't think he was, up there.

H.M.JR: Well, I know Klaus isn't doing anything because I walked back with him from the luncheon at the Press Club. If you want to turn somebody loose, there is somebody to turn loose.

MR. SULLIVAN: Well, let's wait until after tomorrow on that.

H.M.JR: But then let's get this thing, because I don't want to end up here in the Treasury leaving the thing in as bad a mess as I found it.

MR. SULLIVAN: There isn't any mess at all.

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H.M.JR: I am talking of the field - there is a mess.

MR. SULLIVAN: Yes, there. It isn't the same kind of a mess, by a long shot. It is a situation that can be very markedly improved.

H.M.JR: And those people who like to have a drink in moderation, the way the thing is going I will make a forecast; they are just making it possible for the Prohibitionists to come right back.

MR. SULLIVAN: I have been trying to tell them over there for two weeks.

H.M.JR: The whole thing is set up for these people to come back and do the same thing they did in the last World War, see?

MR. PAUL: Let's rally.

H.M.JR: I like to have a drink.

MR. WHITE: He said "in moderation." (Laughter)

MR. PAUL: Let's be immoderate about our moderate drinking.

H.M.JR: The thing is being set up for these people to come back, and so forth and so on.

MR. PAUL: That is right.

MR. SULLIVAN: I am in thorough accord.

MR. PAUL: There are a lot of other things that tie into that, too. They have had to prohibit the soldiers from drinking on a lot of the trains. They won't serve it to soldiers.

H.M.JR: Well, anyway, you had better spend the next twenty-four hours fairly actively.

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MR. SULLIVAN: I agree.

H.M.JR: How far did I get?

MR. BLOUGH: I have nothing special this morning.

H.M.JR: Do you have anything to contribute on the liquor thing? John would get that, normally, wouldn't he?

MR. BLOUGH: Yes. We have a little information - I think John probably has it, anyway - about the length of time liquor was held, the amounts which would be forced out at various stages, and so forth. Our boys think it ought to be less than four and a half years, in the light of the supply situation. But I will give you material on that.

MR. HAAS: I have nothing, except I assigned Lindow to work on it.

H.M.JR: When will that be ready?

MR. HAAS: I don't think they are planning to - sometime this week, I think.

H.M.JR: but how soon?

MR. HAAS: I don't know.

H.M.JR: Find out, will you?

MR. HAAS: Yes.

H.M.JR: Now, seeing George reminded me, I had the Chairman for the Hudson Valley drop in to see me, Dick Meyer. He didn't know that the banks would be outside of the quota. He was counting on each bank.

MR. BELL: As a matter of fact, that hasn't been announced. That will come out this week with your circulars and your press statement, about Wednesday. But

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there was a little mix-up on that because Ted had lead some of his men to believe at these conferences that they would be within the quota. Pulliam was very much disturbed on Friday. He got a telegram from Ted that the banks would not be within the quota.

H.M.JR: This man Meyer that returned from the conference in Buffalo said nothing had been said about it. He was counting on it. The longer you let them count on it the harder it will be to take it away from them.

MR. BELL: The State Chairman got a telegram on Friday that it would not be in the quota. The New York Chairman knew it.

H.M.JR: This man had been in Buffalo Friday and nothing was said.

MR. BELL: Unfortunate they didn't cover it in the conference because it had been covered in the St. Louis and Chicago conferences.

H.M.JR: He was quite shocked and upset. Good man. he has the whole Hudson Valley.

MR. BELL: A telegram went off Friday before Ted left.

H.M.JR: Thank you, gentlemen (Bell and Thompson), for handling that Callahan matter.

MR. PAUL: I think we got the right answer there.

H.M.JR: I am satisfied. I also got a new technique. I go up on the farm and say that I will have a conference Monday; then everybody gets busy. They don't want me to do it - afraid I am too tough.

MR. BELL: I think there was a misunderstanding, wasn't there? We thought the conference was going to be on the contracts.

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H.M.JR: All right. I am delighted.

MR. PAUL: Do you want anything on the contracts? I am having a report made.

H.M.JR: Very much.

MR. HAAS: I have nothing else.

MR. WHITE: There was an article in this morning's Wall Street Journal about the coming conference. It is apparently made out of old stuff re-hashed, in an attempt to get some news out, but there is no new information that was available. But it is a front-page article.

H.M.JR: Harry, Mrs. Klotz will send you a memorandum from Oscar Cox in which he sends a copy of the letter from Crowley to Hull. There is a lot in there about the troubles they are having with Lend Lease in Reverse in India. So when you take up India with me, I want to take up that. I don't know whether you know about it.

MR. WHITE: I don't.

H.M.JR: This is a copy of a letter that Crowley has just written to Hull. Cox sent me a copy. I would like to have, if you are ready, a luncheon again with Crowley and Cox and Lauch Currie. Just review the thing. Would you be ready, maybe, by Wednesday or Thursday?

MR. WHITE: Yes, I think it would be a good thing to let them know now so that by Wednesday they can speed it up.

H.M.JR: Would you be ready?

MR. WHITE: Yes.

H.M.JR: I will get Mr. Crowley, then. (The Secretary placed a call to Mr. Leo Crowley.)

If he is not there get his secretary (to operator).

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MR. WHITE: We printed some of these outlines of the bank. You might be interested in looking at a copy. We have had calls for twenty-five to fifty thousand of the others, but we have stopped printing them because of the change of the Stabilization Fund. This is the bank. We need some time to take up the Canadian problem, the question of Canadian balances.

Now, possibly Wednesday might be a good time to review that for them because they are in it now - Crowley's outfit is in that problem, too.

H.M.JR: I can do it tomorrow afternoon. Three o'clock?

MR. WHITE: That will be all right.

H.M.JR: Who will come?

MR. WHITE: I will bring two people with me from the outside.

H.M.JR: Is Bell in on that?

MR. WHITE: He has been in the past; we keep him informed. He ought to sit in.

MR. BELL: Sometimes I have been in. I will come.

MR. WHITE: Within the Treasury. That is all - one from the Legal Division.

H.M.JR: Well, whoever is following it. Let's say three o'clock tomorrow

MR. WHITE: Yes.

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We haven't heard from Hull on the French matter, but I presume you can take it up Wednesday to see where you want to go from there.

H.M.JR: Now, if we are going to have Crowley we want to make time. Should I ask Hull who is handling Lend Lease for him, and have him here, too?

MR. WHITE: Wednesday?

H.M.JR: Yes.

MR. WHITE: My judgment is no.

MR. BELL: It doesn't involve Crowley, does it-- the French?

MR. WHITE: Yes, it does, French balances.

(The Secretary held a telephone conversation with Mr. Leo Crowley.)

MR. WHITE: I think then we ought to have a meeting here for about five or ten minutes on India silver before that meeting. I think we ought to come to a decision before the meeting.

H.M.JR: Yes, I agree with you.

What else?

MR. WHITE: There was a meeting Friday at General Hilldring's office at which a number of things were discussed, including two matters I would like to bring to your attention.

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One is the question of the conditions and terms under which the money of the foreign countries will be turned over. You remember you indicated that you wanted that turned over without any conditions and all questions of adjustment were to be postponed. That finally brought the committee around to agree, including the Army and the State Department, but they want a memorandum prepared, which we are preparing, and for you to take it up with Secretary Stimson and Secretary Hull and the President.

They are in agreement, but they feel it is a matter of such importance that they insist the matter be cleared by the President and yourself, so we will have a memorandum ready for you on that.

H.M.JR: Oh, the President isn't interested in that. It is ridiculous.

MR. BELL: Isn't it contrary to what the British want?

MR. WHITE: Yes. Or at any rate, then, a meeting between Secretary Stimson, Hull, and yourself.

H.M.JR: That is all right. We ought not to bother the President with a thing like that. We ought to settle it. If he knows too much about it he goes to some other meetings and then he changes.

MR. WHITE: Well, then we will have it ready to take up with them.

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There is a minor matter, the question of the "Four Freedoms" on the currency for Germany. They are rather opposed to it. General Hillaring said the only reason they put it on was because you wanted it.

H.M.JR: In the frame of mind I am in versus the War Department on financial matters, I won't waste my time.

MR. BELL: I would take them off.

H.M.JR: Let Mr. Stimson and his financial advisers settle it.

MR. WHITE: I have something ready on that. I will send you a memorandum. That is all.

MR. BELL: If that is the only thing they hadn't settled on the currency, that would be simple.

H.M.JR: I mean, it is really silly--I mean, they sit around and discuss whether there should be "Four Freedoms" on there or not.

MR. WHITE: There wasn't much discussion, Mr. Secretary.

H.M.JR: What else?

MR. WHITE: That is all. There are some other matters--

H.M.JR: Randolph?

MR. PAUL: I have two things to bring up. I think Dan, Joe O'Connell, and I should see you about whether we should file a brief on behalf of the Comptroller of the Currency in this escheat case. Delano thinks we should, and we are very firm--that is, Joe and I are very firm--that we shouldn't. Dan, I think, is a little on the fence.

H.M.JR: Do you want to follow the three o'clock meeting and go right into that? How would that be?

MR. PAUL: All right. Well, I can't tell whether I will have to be up on the Hill this afternoon or not. The probabilities are I won't be.

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H.M.JR: If you won't and you are here at three, I would like to have you at three so we can just continue.

MR. PAUL: The probabilities are that we won't.

MRS. KLOTZ: You called Delano?

MR. PAUL: I will call him.

The other thing is, I am getting up--renegotiation is beginning to crystallize. They have had some very bitter sessions for the last two or three days. George is acting more bitter than I have ever seen anybody act. We contrived to have the War Department and the Navy Department up there because they are primarily interested. We are mostly just interested in that one difference about putting renegotiations in the tax clause, where I think they are going along with us.

H.M.JR: You want it in the tax clause?

MR. PAUL: We want it out, and they appear to be swinging our way on that. But on all other things they are swinging violently in the direction of what the newspapers are pleased to call "the liberalization of the renegotiation provisions," and what I would call the emasculation of them. It is so serious now that it may be we have to begin to think of a veto. But anyway, I am getting up a report for you.

H.M.JR: I have been sort of kept out of the thing by you and John. I have never been allowed to get in on it. I am not saying there is any complaining.

MR. PAUL: Well, we haven't kept you out, but we have tried to relieve you of as much as possible of the dirty detail of that thing because there wasn't anything you could tell. We didn't know which way it was going.

H.M.JR: Again, from just reading the papers, I gather that George says he thought that the Army and Navy are now well enough along that they could make a good contract and didn't have to have more renegotiation.

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MR. PAUL: That is on the procurement phase of it. George wants the renegotiation absolutely eliminated, and he is acting as I have never heard of him acting before.

H.M.JR: The point that I am leaving up to you is, as I understand it--I mean, I know so little about it.

MR. PAUL: There is a report in preparation for you now. It will be in about eleven o'clock.

H.M.JR: What is George trying to do, stop all renegotiation of all outstanding contracts?

MR. PAUL: Yes, to do the whole job by taxes. It is the old war profit--it is the profiting-from-war issue. It is a very simple issue.

H.M.JR: Of course, I would like to spend a couple of minutes on this thing; what I am thinking of, and you listen (Blough), is the question of making the statement, you see.

MR. PAUL: It isn't quite ripe yet for that.

H.M.JR: Let me just talk a minute. Could I think out loud a minute?

MR. PAUL: Sure.

H.M.JR: I think the thing has been so muddled that the public doesn't know what the right thing is.

MR. PAUL: Of course, when--

H.M.JR: Let me just think out loud a minute; then you rebut. Let me ask you people, can I make a forthright statement on this question of renegotiation without criticizing the War and Navy and Maritime Commission?

MR. PAUL: Yes, sure. They have been working very closely with us, but they are the people who ought to make the statement because they are the ones primarily interested.

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MR. SULLIVAN: I don't think so, Randolph. I think the Secretary has a small interest as the head of Procurement, which does a very minor amount of the renegotiating; but as head of the fiscal agency of the Government he has a much broader interest.

MR. WHITE: He is supposed to be the Watchdog of the Government.

H.M.JR: I haven't yet gotten over what I am trying to get over. I am going to repeat myself. I mean, I have something in my mind, and I have had it for some time, watching as a man in the street. If the Army and Navy had driven a really good bargain in the first place, you see, then we would come along with our ninety percent or forty percent--ninety percent excess--and would collect what is due the Government. But I gathered that they made such bad bargains.

MR. PAUL: For which they are not to blame.

H.M.JR: It is necessary to have renegotiation in addition to taxes.

MR. SULLIVAN: You are wrong about that, Mr. Secretary. They had a lot of people who had never made the particular things the Army wanted to have made. For instance, they stopped making shoes and began making knapsacks and different leather containers, and they had to get new machinery. They didn't know how long it would take their help to learn new processes, and when they made those contracts they protected themselves on the assumption that it would take six months to train the people to do this job and it would probably cost them a dollar and twenty-five cents apiece. Then because it was on war work and the people were interested, they learned in a much shorter period and the foremen made suggestions that they take this cross-cut and different savings along the line, and they found they were making it for seventy-nine cents.

In most of the instances it was an honest mistake by the War Department and by the contractor. It wasn't an attempt of the contractor to hold up the Government, I think you will find in almost every instance.

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MR. PAUL: It is the unknown in quantity procedure.

H.M.JR: Let's look at it from the other side. You are a businessman. Frankly, I want to say this for business: When they finally made up their mind to convert, it took them a little time, but I think it was as much the Government's fault on account of the people we had here, because we had exactly the opposite number in each case for business. You had a rubber man doing business with a rubber man, and you had an automobile man dealing with the automobile people. I said they would never get them down, but they finally did; that is, after the attack by the Japanese on Pearl Harbor. That got them going. If it hadn't been for that I don't know as we would ever have them converted. But they did finally convert.

You might begin, George, to look into this thing from the standpoint of production, when the contracts were let, and all that. I don't know how much you have, but find out when the volume really began after Pearl Harbor. Will you put your boys on that?

MR. HAAS: Yes, we have indices all worked out on that.

H.M.JR: Well now, when does the business know when this thing is settled? How long does this thing hang over their head? What is the argument most likely used? How long does this hang over their heads, the thing of renegotiation?

Now, take General Motors, for instance. They file their return and all that. I should think they could keep asking for an extension and say, "We don't want to pay until the renegotiation is completed."

MR. PAUL: We have that all worked out, payment at lower renegotiated profits. The renegotiation is only open for a year.

H.M.JR: For twelve months from the time the contract is signed?

MR. PAUL: No, from the time the business is done.

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

MR. PAUL: Well, in 1942--we will help renegotiate not each contract, but all the business for a year.

H.M.JR: Which was done for a year?

MR. PAUL: Yes, they don't try to renegotiate a contract basis. It would be perfectly impossible. They do a whole year's business with one company. After the business is done, I think there is a special year's statute of limitation. They have to do it within a year. So they are speaking of hanging over until the present bill is passed by the Senate. It will hang over for years.

MR. SULLIVAN: Many years.

MR. PAUL: Thirty years.

MR. SULLIVAN: You mean renegotiate after the taxes?

MR. PAUL: No, this new one about carry-backs. Of course, if they put that renegotiation after the taxes it will be--I don't know how many years.

MR. BLOUGH: They never will get it done then.

H.M.JR: Does the question of plant ownership come into this?

MR. PAUL: No.

MR. SMITH: There is one other question coming into this as I remember. The Sperry people, for example, make this automatic pilot for about sixty percent more.

(Mr. Gaston entered the conference.)

H.M.JR: Your chair is waiting for you.

MR. SMITH: They make it for about sixty percent more, and the Jack and Heintz people made the same thing.

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MR. BLOUGH: It isn't the same thing.

MR. SMITH: They do make one of the same things, at least they did. And the Sperry people insist that that differential should come back to them to go into research because it costs them that much to develop it, whereas Jack and Heintz just picked up the thing and went on from there. Well, that all gets tangled up in renegotiations. What is right and wrong, I don't know, but that is one of the arguments.

MR. BLOUGH: I know some of the renegotiating people quite well. In fact, the War Production Board man is my brother. He was formerly in SEC and is now in charge of renegotiating for the War Production Board for Donald Nelson.

MR. SULLIVAN: He sits on all the other boards, too, the one fellow who has the over-all picture on renegotiations.

MR. BLOUGH: One thing is perfectly clear. If the bill as it is now shaping up in the Senate is signed, the head men of all the boards will resign and go back to private practice, because they are honest men who believe that renegotiation is necessary to prevent a worse catastrophe to business than renegotiation is. And they feel the renegotiation is a fair and proper thing.

H.M.JR: Roy, could your brother give me a short course in this thing?

MR. BLOUGH: I think he would be as good as anybody to do that.

MR. SULLIVAN: He is the best man in town.

MR. PAUL: He and Dodge are the two best. Dodge is the Chairman of the Price Adjustment Board on which Roy's brother sits. He is a banker from Detroit.

MR. BLOUGH: My brother has this advantage, that he is on all the boards.

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H.M.JR: What is he, an accountant?

MR. BLOUGH: Yes.

MR. PAUL: I was intending to give you a little course in the memorandum that is now in preparation. It is a simple statement of the main issue.

H.M.JR: Is Roy working on that?

MR. BLOUGH: No. Joe O'Connell is working it out. Joe O'Connell has been the technical legal man. It is very complicated.

H.M.JR: When do you say it will be ready?

MR. PAUL: Any time now.

H.M.JR: I would like to begin to study the thing because I don't think anybody has any--it smells bad. I don't know what the right thing is.

MR. PAUL: The sensational story of that Timken case was developed by Patterson a week ago today. It didn't get into the papers at all. They don't carry it. It is just sensational. You ought to get that one terrible case.

H.M.JR: If I made a statement, I think the papers have to print it.

MR. PAUL: Well, they will print it, but they didn't print much on Patterson's testimony.

H.M.JR: No.

MR. SULLIVAN: What they printed on Bob's was very bad. It made him appear in a very bad light.

MR. PAUL: And they emphasized this one remark of Forrestal's.

H.M.JR: Let's begin to get the thing. Joe is working on it?

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MR. PAUL: Joe knows more about the broad picture, I think, than anybody in the Treasury.

MR. SULLIVAN: Joe was with me on that fight with the Army and Navy last January.

MR. PAUL: He knows all angles. He won't know as much about the economics as Roy, but he knows the whole picture both from the legal and from the other angles.

H.M.JR: I will get hold of him.

MR. BLOUGH: I am sure my brother would be available in case you want to talk with him.

H.M.JR: Shall I start with Joe first?

MR. PAUL: I think Joe could give you the broad picture, and then you could follow it up by talking to Blough's brother.

MR. BLOUGH: I have kept out of it. I know a little about it, but not a great deal.

H.M.JR: Why don't you ask your brother to prepare a non-technical statement for me.

MR. BLOUGH: All right.

MR. PAUL: You might have him emphasize that Timken case.

MR. BLOUGH: I will talk to him right after this meeting.

H.M.JR: How far did I get?

MR. PAUL: I would like to see you some time about another matter, some time when you are free.

H.M.JR: This morning?

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MR. PAUL: This morning is the only time I know I have.

H.M.JR: I need five minutes with John. I will see you right after that.

MR. PAUL: All right. That is all I have.

H.M.JR: I sold some lumber, and my man up there doesn't know how to figure it.

MR. SULLIVAN: Incidentally, do you want that report on the Interlocking Liquor Directorates? Do you want it this morning?

H.M.JR: No.

When this is over you can go back to your room; I will be ten or fifteen minutes.

MR. PAUL: All right, fine.

MR. BELL: You have noticed, I suppose, that our redemptions of savings bonds are getting quite a bit of publicity throughout the country. I don't think they are any higher the first ten days of this month than the first ten days of last month, but the two months together are quite a bit higher than they were before, but not alarming. Green's statement didn't help us any.

H.M.JR: Green?

MR. BELL: Bill Green. He said before the Subsidy Committee that if we didn't give Byrnes his subsidy money the Treasury wouldn't be able to redeem the savings bonds. I don't think that helped any, but I do think we ought to begin to give some consideration to some kind of publicity against redemptions, advertisements of some kind.

MR. HAAS: It is very dangerous.

MR. BELL: I think you have to judge what kind of publicity you can give. But I think the Washington Post is probably right that we have soft-pedaled redemptions now for a long time and maybe it is time to say something.

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H.M.JR: You (Smith) are full of fresh Long Island sea air; put your mind on it.

MR. BELL: When you returned from abroad, you asked about sending some accountants abroad. I have a couple who can go, but I would like to suggest that we let three people go, one from the Treasury, one from the War Department, and one from the GAO.

H.M.JR: But we haven't been asked.

MR. BELL: Were we to wait? I understood you cleared that.

H.M.JR: No, no, we were to wait. In fact, I got word from somebody that they didn't want them.

MR. WHITE: I mentioned it to General Hilldring. They are delighted.

MR. BELL: That is what I thought everybody wanted.

MR. WHITE: I didn't know there was any opposition. I thought Jack McCloy said when you mentioned it to him that that would be fine.

H.M.JR: Supposing you ask?

MR. BELL: Would it be all right with you if we sent somebody from the GAO and one from the War Department? I think it would be a smart move to send someone from the GAO.

H.M.JR: I think it would be smart.

MR. BELL: Then we will go ahead.

MR. WHITE: We are preparing the kind of a document that would be our notion of the kind of document any final commission would want to have before it, which involves partly accounting and partly some other things. The figures, of course, won't be accurate. They will be merely illustrative. I mentioned at this meeting that we would make it available

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to them after it had cleared with you, in order to get their approval.

Now, some of those questions involve matters which I think are not strictly accounting matters. I was going to suggest the possibility of sending one of our men, probably Bill Taylor, for a month along with them, the four of them, so they could get both angles of it so when they get through they will have the material for the kind of report which you eventually will have to submit to some commission.

H.M.JR: Well, you and Bell get together; and after the two of you get together, see me.

MR. BELL: All right. That is all I have.

MR. THOMPSON: I don't know what the Review Committee on Deferment has against lawyers, but they have decided they will not approve deferments for lawyers.

H.M.JR: Which committee?

MR. THOMPSON: The big reviewing committee.

H.M.JR: Who?

MR. THOMPSON: The McNutt committee we have to go to for the key list.

H.M.JR: Well, I am going to have General Hershey come over and have one of those talks the way we did before. I thought that you and Gaston--and who else?

MR. THOMPSON: Ted Wilson.

H.M.JR: We might find out how he feels, you know.

MR. PAUL: That Lesser case, when do we have to act on that?

MR. THOMPSON: I have that on my desk.

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MR. GASTON: I suppose that McNutt committee will be out the window now, won't it?

MR. THOMPSON: They told me this morning it wouldn't be.

H.M.JR: I think what they have done has been one of the most outrageous things; knowing this bill was going to pass and that the pre-Pearl Harbor fathers would be lowest on the list, they went right ahead. I can tell from the people who called the Treasury--just as though they were trying to beat the gun. They called man after man after man, thirty-six and thirty-seven, with two or three children. I think what McNutt did was absolutely outrageous, just as though they were trying to rush these people through.

MR. THOMPSON: It certainly had that appearance.

H.M.JR: I went along with the spirit of Congress, I thought. I approved a lot of their requests.

MR. THOMPSON: As you may remember, the State Department was not successful in arranging for our men in the Philippines to come back on the Gripsholm. One of the passengers on the Gripsholm told us that these five men were alive, three of them in a Japanese prison camp and two at the Embassy, imprisoned in the Embassy.

Have you heard about that?

MR. WHITE: No, this is the first time. You have the names of all five?

H.M.JR: Let's use that information for me to write another letter to Hull.

MR. THOMPSON: Yes.

H.M.JR: And will you advise the families, please?

Let me write another letter to Hull.

MR. THOMPSON: All right.

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H.M.JR: I don't think my letter-writing to Hull has been very successful.

(Memorandum of Report from Mr. Ireby on Mr. Robert Nathan dated December 1, 1943 handed to the Secretary by Mr. Thompson)

December 13, 1943  
10:32 a.m.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Leo T.  
Crowley: Hello. How are you?

HMJr: Fine. How are you?

C: Fine.

HMJr: Leo, if it's agreeable to you, I'd like to have you  
and your two young men for lunch again about Wednesday.

C: Wednesday, noon?

HMJr: Yes.

C: What time?

HMJr: Around one o'clock?

C: Fine. I'll be glad, and I'll ask them to come too.

HMJr: And one of the things I want to take up is this  
question of silver to India.

C: Yeah.

HMJr: Lend-lease.

C: I see.

HMJr: That's one of the things.

C: All right.

HMJr: And then - uh - just sort of bring myself up to  
date and see if we've made any progress.

C: Fine. We'll be there at one o'clock, Wednesday.

- 2 -

HMJr: You bring your two young men.  
C: That's right.  
HMJr: I thank you.  
C: Thank you..

December 13, 1943  
11:00 a.m.

General Lewis  
Hershey:

.... that follows the so-called Bellamy Committee.

HMJr:

Well, look, General - do you mind if I interrupt you?

H:

Not at all.

HMJr:

Would it be asking too much if you could come over to see me?

H:

I'd be glad to.

HMJr:

Could you do that Wednesday, around ten?

H:

I think so. Let me check it. I'm quite sure I can, but I can check it in just a second and I'll let you know. I'll - I'll be back on in just a second.

HMJr:

Right.

H:

(Aside: what about Wednesday, at ten?) That will be very fine, Mr. Secretary.

HMJr:

Well, then if you'd come over, then I'd ....

H:

I'll be there at ten o'clock.

HMJr:

.... I'd appreciate it.

H:

Right.

HMJr:

Thank you.

H:

Yes, sir.

December 14, 1943  
12:00 noon

ALCOHOL TAX

Present: Mr. Gaston  
Mr. Sullivan  
Mr. Smith  
Mr. Irej  
Mr. O'Connell  
Mr. Thompson  
Mrs. Klotz

H.M.JR: On this business about our relation with the liquor industry, see? (Sullivan)

Come in, Joe. (O'Connell)

Irej had a report here which he made after re-organization of Alcohol Tax, but he said he never could get it beyond the Commissioner, Helvering, because Helvering didn't approve of it. And I am asking him to be available from a quarter to two on, and I thought at that time he could dump it into your lap.

MR. SULLIVAN: I don't think I have ever heard it before.

H.M.JR: Anyway, there it is. He said as a result of a month's study, the Commissioner held hearings on it.

MR. IREY: Yes.

H.M.JR: It is the immediate thing that I am worrying about, you see, and that is our relation opposite the Congress and the industry and the public.

MR. SULLIVAN: Particularly the public.

H.M.JR: Yes. Now, are you going to have for me at one o'clock a summary of what you think or what the Commissioner thinks can be done--a what shall I say?

MR. SULLIVAN: A course of action to remedy the black market?

- 2 -

H.M.JR: Yes.

MR. SULLIVAN: We can tell you very readily. There are cases being made all over the country, some of them being presented to grand juries right now.

H.M.JR: I mean, what positive action we could take or recommend to Congress to correct that situation.

MR. SULLIVAN: A vigorous prosecution all over the country, preferably with the big fellows, plus cutting back from eight to five years.

H.M.JR: What about this latest suggestion of George's to make the tax progressively higher if they keep it in storage?

MR. SULLIVAN: I don't think that will do the job. I'd rather get it out.

H.M.JR: Well, can't you, between now and by one o'clock, have it on one page what we think we could do?

MR. SULLIVAN: Surely.

H.M.JR: And I don't know what Berkshire recommended.

MR. O'CONNELL: He didn't make any recommendations other than he said they were making cases in connection with violations of the revenue laws all the time. But it didn't seem to me, just reading his testimony, that he was even suggesting that what they were doing was the solution of this liquor situation. Liquor is being diverted--and in many cases in perfectly legal fashion, as far as the revenue laws are concerned--and is not getting the distribution that we would wish to have; and it seems to me, also, that if you reduce the limit past which the liquor can be held in storage from eight to four years and turn loose a hundred and fifty million or so gallons of liquor, if you don't do anything else about the distribution, my guess is it would disappear as quickly as it would take the few people who have the limited ability to buy, to get hold of it.

When you get into a short-supply situation, they ration. State stores aren't even getting their share of

whisky being sold now, because it is more profitable to distillers to sell to non-monopoly States.

MR. SULLIVAN: They are rationing what they get.

MR. O'CONNELL: Yes, but I don't think the simple release of more whisky from bond would tend to answer.

MR. SULLIVAN: No doubt in your mind that it will improve the situation somewhat, is there, Joe?

MR. O'CONNELL: Yes, there is serious doubt.

H.M.JR: Certainly, between you and Hannegan and Berkshire, I am entitled to get a constructive program.

MR. SULLIVAN: You certainly are.

H.M.JR: And I am going to insist on it.

MR. SULLIVAN: You should. Incidentally, Berkshire will be here. He has been in bed for the last several days, but he is coming in for this meeting.

H.M.JR: We'll have it about a quarter of two.

MR. SULLIVAN: Fine.

(Mr. Gaston enters meeting)

H.M.JR: I am just putting everybody on notice that at a quarter of two I am asking from Sullivan and Berkshire and Hannegan a positive program as to what can be done on the liquor situation, see?

MR. GASTON: Yes.

H.M.JR: He said Berkshire will be here at a quarter of two. Have you marked his testimony for me?

MR. O'CONNELL: Yes, I have. (Hands to Secretary

- 4 -

record of testimony before the Senate.) It is a bigger job of reading than I thought. It is 150 pages.

MR. SULLIVAN: I went all through that yesterday afternoon, and I marked certain places and I am having that typed so you can get it all in four or five pages.

H.M.JR: This thing?

MR. O'CONNELL: That is another copy. You got yours (Sullivan) from the Committee. This is the same testimony in a little different form. The last fifteen or so pages are the parts you would be particularly interested in with respect to interlocking directorates, and so forth.

MR. SMITH: Coffelt from Public Relations sat in and made copious notes and gave me the whole story this morning. He could give you an awfully good round-up of what that whole thing was about--that is, all the high spots. I found it very satisfactory.

H.M.JR: Well, anyway, we're on it.

MR. SULLIVAN: Good.

H.M.JR: Well, see what happens. I hope in the next day or two we can develop a program. I mean, I hate to have somebody in the Bureau feeding this stuff constantly to Senator George, and then I read it in the paper.

MR. SULLIVAN: I haven't heard anything further, have you?

H.M.JR: I don't know where he got this last thing.

MR. O'CONNELL: You mean a progressive tax?

H.M.JR: Yes.

MR. O'CONNELL: That wouldn't have come from the Bureau, because I think they would have opposed it.

H.M.JR: I want to approach this now more with an idea of having temperance--a moderate amount of liquor be

- 5 -

permitted to be bought and consumed by the people, and I am not thinking of the revenue side, see?

MR. SULLIVAN: In other words, unless the situation clears up you will have prohibition again, and there won't be any revenue.

H.M.JR: I am talking about temperance.

December 13, 1943  
3:30 p.m.

SOUTH AFRICA

Present: Mr. White

MR. WHITE: Your reaction to this is curious. You say this seems like welshing to you.

H.M.JR: This is South Africa. What you are saying to these people--"The United States Government says we will give you Lend-Lease." Now we come along and say it is an Indian gift, give it back to us.

Do you remember we discussed that thing? How can you say to these people in one breath--

MR. WHITE: Oh, this seems like the United States is welshing. I didn't get that at all. I thought you meant this letter was too weak. I misunderstood.

H.M.JR: No. The United States is saying to South Africa, "We gave this to you and now we want it back." That to me seems like welshing.

MR. WHITE: That is right. But they are now suggesting, in view of the very large sums, that South Africa might be approached to pay it back.

H.M.JR: Look, may I talk to you a minute, Harry? Do you hear me?

MR. WHITE: I hear you very well. I recollect very well.

H.M.JR: Do you remember my saying--

MR. WHITE: Yes.

- 2 -

H.M.JR: Do you remember my saying I didn't want to go along with that and I thought you were with me?

MR. WHITE: I was. I remember now.

H.M.JR: I think it slipped you, didn't it?

MR. WHITE: Completely.

H.M.JR: Now, may I refresh your memory on something else? When Mr. Stettinius was going to have to testify and he suddenly found out at that time that the forty million dollars he had given in Lend-Lease mostly in automobile trucks to South Africa--he had no authority, he had never consulted anybody and had nothing in writing and was out on the end of a limb. And he had sweat, figuratively speaking, rolling off his chin. Do you remember that time he came over here?

MR. WHITE: Yes.

H.M.JR: And now most likely he is trying to wipe off--

MR. WHITE: No, I don't think there is any connection, to my knowledge. This is Currie's attempt not only to stop Lend-Lease but to get them to bring their balances down by paying the back amount. Now, who put the idea in Currie's mind? It may be that you are right, but I completely forgot.

When I read your note I accepted it as your feeling that this wasn't strong enough, because I thought it related--

H.M.JR: Now that you remember, are you with me or not?

MR. WHITE: Yes. I expressed that view to you and to them, that after all we gave them Lend-Lease at a time when the political situation was of a character which justified giving them some gravy of this kind. They, however, are merely going to suggest it as a possibility.

- 3 -

H.M.JR: Look, Harry, I think it is intellectually dishonest, and I don't want to have anything to do with it.

MR. WHITE: Yes. All right, I will rephrase this letter. I had completely forgotten about the merits and the discussion.

H.M.JR: All right, that makes you human.

FOREIGN ECONOMIC ADMINISTRATION

December 6, 1943

The Honorable  
The Secretary of State

Dear Mr. Secretary:

On November 23, 1943, Mr. Lauchlin Currie met with the Minister from the Union of South Africa for an exploratory talk regarding the scope of and procedures relative to the supplying of raw materials by the Union of South Africa as reverse lend-lease aid. Mr. Currie hasn't pressed this matter, and we have had no further discussions of the subject with representatives of the Union because the Foreign Economic Administration feels strongly that every effort should be made to place the Union of South Africa on a cash basis to the fullest extent possible; and that this possibility should be thoroughly explored before broadening the scope of reciprocal aid.

According to recent figures submitted to us by the Treasury Department, South African gold holdings now total about \$640 million (compared to some \$222 million in August, 1939). Gold production still continues at a rate of approximately \$440 million per year and only about half of this production is probably needed to settle South Africa's unfavorable trade balances. As a result of continually increasing gold holdings, the repatriation of substantial amounts of securities previously held abroad, etc., it is estimated that there has been a net over-all improvement of more than \$600 million in the South African overseas financial position since the beginning of the war. In the light of South Africa's small population, these are indeed impressive figures.

At a meeting held with the South African Minister and other representatives of South Africa on November 6, to discuss the matter of obtaining raw materials from South Africa as reverse lend-lease, Assistant Secretary Dean Acheson suggested to the South Africa representatives that South Africa might wish to consider paying cash for all goods obtained from the United States and that the United States would do likewise for goods obtained from South Africa; and it appears that this suggestion met with some favor on the part of the South African representatives.

C O P Y

The Secretary of State

- 2 -

December 6, 1943

It, therefore, appears that the State Department and the Foreign Economic Administration are already in agreement that South Africa should be put on a cash basis as to all future material aid. In addition, we believe that we should request the Union Government to make settlement for all lend-lease aid heretofore furnished to it. Total lend-lease exports to South Africa destinations to date have amounted to about \$130 million, of which approximately \$45 million have been civilian goods. (These figures somewhat overstate the amount of lend-lease aid to South Africa, since they include exports for the use of the United Kingdom and possibly of other governments. On the other hand, various charges such as those for services and supplies to South African forces in North Africa, etc., are reflected in the United Kingdom lend-lease account which might perhaps be chargeable to the South African Government.)

We feel that there should be no objection to a settlement such as we suggest, as it would merely put South Africa into a position similar to that of Canada.

We recognize that on April 26 of this year the South African Government, in a memorandum to your Department, stated that it would be grateful "if the question of a refund of previous lend-lease credits were not pressed;" and we appreciate that in the Department's memorandum of October 6 to the South African Government it was stated that this request would be acceptable, provided an agreement were reached with the Union Government on reciprocal aid. However, in view of the circumstances mentioned above, we think that the South African Government may be willing to reconsider its position; and we believe that the time for raising this question will never be more propitious than the present.

I recognize, of course, that great care will have to be exercised to assure that neither this proposal nor any settlement which may result therefrom will in no way be taken as establishing a precedent indicating the conditions upon which we intend to make future settlement of lend-lease relations with other governments.

Sincerely yours,

(Signed) Leo T. Crowley

Leo T. Crowley  
Administrator.

LTC:CD:ms

cc: Sec. Morgenthau  
Mr. Currie  
Mr. Coe  
Mr. Cox  
Mr. McCamy

December 13, 1943  
3:40 p.m.

ANDERSON vs. KENTUCKY ESCHEAT CASE

Present: Mr. Bell  
Mr. Upham  
Mr. Paul  
Mr. Tietjens

H.M.JR: How do you do?

MR. PAUL: Mr. Delano is home sick today. His very able deputy has taken his place.

MR. UPHAM: Thank you, sir.

H.M.JR: What the hell is all this about?

MR. PAUL: Do you want to state it, or shall I?

MR. TIETJENS: The State of Kentucky has passed a statute which says, among other things, that if there are unclaimed deposits in banks--if no activity has been taken in the account for ten years, that demand deposits be turned over to the State.

H.M.JR: I don't get that. You had better let Bell explain it. I am sorry.

MR. BELL: Well, any unclaimed deposits in any bank in the State of Kentucky for the periods named are to escheat to the State after the end of that period.

MR. PAUL: Forfeit to the State.

MR. BELL: They are what they call unclaimed deposits.

MR. UPHAM: Dormant.

MR. BELL: Yes, they remain that way for several years.

- 2 -

H.M.JR: How many years?

MR. TIETJENS: Ten years for demand deposits, twenty-five years for time deposits.

H.M.JR: If they are not claimed?

MR. PAUL: If no activity.

MR. TIETJENS: If no activity has been made in the account and no credit on the pass book.

H.M.JR: The State just seizes them?

MR. TIETJENS: They are to be paid over to a State officer, and if the State wants to escheat them and take title, then it has got to go into court after that period.

H.M.JR: I have never heard the word "escheat."

MR. TIETJENS: E-s-c-h-e-a-t.

H.M.JR: New word to me. Are you fellows for this?

MR. PAUL: The question is whether this applies to National Banks as well as State banks. And when the Kentucky court declared this statute was constitutional, thereupon the question came up of an appeal to the Supreme Court of the United States. A brief was filed; thereby, Mr. Anderson, representing the Comptroller of the Currency, suggested, or really urged, the Supreme Court that it ought to take jurisdiction, which it has done. The case will be reached on December 16. The question is whether we should now go on and file a brief in the Supreme Court as amicus curiae on behalf of the National Banks.

They are very anxious that we do so.

- 3 -

MR. BELL: I understand this case in Kentucky involves the National Bank.

MR. TIETJENS: The National Bank challenges the constitutionality of that statute.

MR. PAUL: But that is only formality. The fact is the whole law.

Now the banks want us to do it. They have written us and urged us. I guess they put a lot of pressure on you, Cy.

MR. UPHAM: On the Comptroller.

MR. BELL: Burgess called me about it on Thursday of last week.

MR. PAUL: Legal people think that we should not, for various reasons. I don't know whether you want to hear those or not.

MR. BELL: Well, National Banks, I suppose, feel that from the standpoint of the Federal Government, they are under the Treasury for supervision or whatever protection the United States Government wants to give to a Federal institution. And I think the National bankers feel that this is just another step on the part of the States to get into the National Banks.

And as I pointed out this morning, these statutes usually carry with them the right to go in and claim, or look over, the books to see what accounts are dormant. So they feel that this is just another step on the part of the States to get in and control National Banks and they don't think that that was intended by Congress, and therefore they feel that the Treasury, being the organization which Congress has designated to protect the National Banks, they ought to step in and do all they can to fight this statute.

H.M.JR: I agree with them.

- 4 -

MR. BELL: That is the way it was put up to us, and I think they feel rather strongly about it.

H.M.JR: The last time you went up against the Comptroller your record wasn't so hot, boy.

MR. TIETJENS: I would like to argue that point.

H.M.JR: You had better argue it before Judge Hand!

MR. TIETJENS: He says if that case went to the Supreme Court there isn't any question they would overrule this court here. He says the policy is wrong.

H.M.JR: That wasn't what he said. The jurisdiction there was no question. He said if you followed this case down there and abided by it - he said the case was wrong.

MR. BELL: I think Paul feels this is getting in between the banks and the State.

MR. PAUL: For some reason - if there were something in the statute discriminating against the National Banks--

H.M.JR: Yes, but this is a matter of policy. Playing in with the banks would right now be very useful to us.

MR. PAUL: If you want to put it on that ground--

H.M.JR: Well, they will be the middleman for us on all these War Bonds, billions of dollars, and not charging us anything. If they feel that they want to run to papa, and papa should help them, I am inclined to do it. That is the way I feel. If they don't run to us they will go to somebody else, and they will get the help.

MR. PAUL: They won't be able to go to anybody else.

H.M.JR: Oh, yes. Couldn't F.D.I.C. carry the battle for them?

MR. TIETJENS: Conceivably, yes.

- 5 -

H.M.JR: Or the Federal Reserve.

MR. TIETJENS: The F.D.I.C. couldn't get into court. We are the only ones who can get in before the Supreme Court.

H.M.JR: Gentlemen, as a broad policy matter of having a few friends for the Treasury--

MR. TIETJENS: The only legal drawback is that we have to go in on the side of a twenty-year-old decision that was made by McReynolds, and it is a pretty weak decision.

MR. PAUL: Well, I would just as soon go in behind a decision of McReynold's. That isn't the point in my mind.

H.M.JR: I am not approaching it from a legal standpoint, but from the standpoint of having a few friends around the country for the Treasury.

MR. TIETJENS: We are already in the case. We have helped them get the case before the Supreme Court.

MR. PAUL: Which was proper.

H.M.JR: I would go ahead with it, if you are putting it up to me--unless Bell disagrees.

MR. BELL: No, I have kind of been on the fence.

H.M.JR: Well, get off! (Laughter)

MR. BELL: And yet I do think we owe something to the banks, as you say.

MR. PAUL: I would do anything I could for the banks except I don't want to go into something where we have no business going in.

- 6 -

H.M.JR: Well, listen, I fight like hell. I, personally, stand between the Bank of America and its having any branches. I think that is in the public interest. And so far I have been able to win.

MR. BELL: That is a terrible position to be in today, too. That is a hot one.

H.M.JR: O.K. I am willing to face it. Now, here is the other side where I think, if the chance is a little good, let's do it, gentlemen.

MR. PAUL: All right, then. You understand that so far as the law is concerned, and any policy there is in the law, it is against our recommendation.

MR. UPHAM: I can't agree to that, Randolph. The position of the Supreme Court is the one that we are going to support and uphold.

MR. BELL: You mean prior position?

MR. UPHAM: Yes, the only decision there is. We are going to keep that Supreme Court decision from being reversed. We are on the side of the Supreme Court and the banks.

MR. PAUL: That case isn't it, in point, I think.

MR. TIETJENS: Kentucky courts have the same position.

MR. BELL: You have two more States that have come into the picture.

H.M.JR: You don't advise me not to go ahead with it, do you, as a matter of broad policy? Not as a lawyer, now; not as Counsel, but on the basis of keeping these fellows where you can be friendly to them.

- 7 -

MR. PAUL: I can understand that policy end, but I still think it is inadvisable, even on the policy front, because you have got other hostilities.

I think that we ought not to be lining up against the interests of estates except where we have some business lining up against estate interests.

Kentucky is involved in this question, and Minnesota and Wisconsin.

Re-write by Mr. Gaston of reply to soldier boy who says the men want to come back to the States for a furlough.

Dear Herbert:

This is a wonderful letter. Many thanks.  
Mr. R

DEC 13 1943

Dear Sergeant Hrab:

I have received your letter of October 28 and I thank you for writing to me.

I did tell some of the correspondents at Algiers that I hadn't met anyone who wanted to go home before the Nazis were licked. It may be that I took in too much territory. I was not thinking at the moment of furloughs.

What I intended was simply to testify to the fine morale and fighting spirit that I found everywhere I went near the front. It is the same spirit exactly that you reflect when you write: "We are ready and will do our job when we are called upon."

Certainly nobody -- no country and no people -- could ask more than that. I got a lot of inspiration out of my trip to Africa, Sicily and Italy and the source of it was finding out that what you say for the men of the Sixth Armored Infantry is literally true of our entire armed forces in the Mediterranean theater.

Since I came back I have had a large colored map placed in the main entrance of the Treasury on which the daily progress of our forces is marked. I did that so that all who work in or visit the building might be put into a little closer touch with what you of the front-line forces are up against and what you are doing.

I can't write to you about furlough policy because, as you know, it's outside my line of duty. I am told, however, that right now shortage of shipping space is the chief obstacle to rotating men on overseas duty. But I can work to see that every possible support that civilians can give to the fighting men is liberally given, and we in the Treasury are trying to do that to the very best of our ability.

- 2 -

I am immensely pleased that you wrote "I think we have the best outfit." I am sure you have, and that's what we at home think about our whole fighting force. We know we have the best outfit and that if we are a good enough outfit ourselves to give you a fair chance and the right support we are sure to win.

I'd be very happy to hear from you or any of the other boys again.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Staff Sergeant Leon Hrab,  
Hq. and Hq. Co., 2nd Bn.,  
Sixth Armored Infantry,  
A.P.O. 251 - A.S.N. 32026784,  
c/o Postmaster, New York City.

HEG:pm

MSK

25

December 4, 1943

Dear Colonel Macy:

I am enclosing copy of the letter received by Secretary Morgenthau, which I mentioned over the telephone, together with the draft of a proposed reply. I would greatly appreciate it if you would have this checked in the proper quarters.

Very truly yours,

Herbert E. Gaston  
Assistant Secretary of the Treasury

Colonel J. N. Macy  
Press Branch  
Bureau of Public Relations  
~~Army~~ Department  
Washington (25), D. C.

Enclosures.

WAR DEPARTMENT  
BUREAU OF PUBLIC RELATIONS  
WASHINGTON 25

7 December 1943

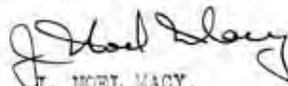
Mr. Herbert E. Gaston,  
Assistant Secretary of the Treasury,  
Treasury Department,  
Washington, D. C.

Dear Mr. Gaston:

I am returning herewith the draft of the letter to be sent by the Secretary of the Treasury to Sergeant Hrab. I have no changes or amendments to suggest.

Yours very truly,

For the Director:

  
J. NOEL MACY,  
Colonel, Cavalry,  
Chief, Press Branch.

1 Incl.  
Draft of ltr to  
Sgt. Hrab.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

December 3, 1943

TO Secretary Morgenthau

FROM Fred Smith

I think this is a pretty weak reply, but you cannot answer any of his questions without getting into trouble.

You can't say that the boys should be sent home, nor that the troops here should be sent over there, nor that seven months is long enough to be on the firing line, nor can you agree with him that he has had his share of it. Nor can you very handily differ with him on any of these things without getting his dander up.

I think our only chance is to hope that he is so impressed by getting a letter from the Secretary of the Treasury that he won't read it.

R

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THE SECRETARY OF THE TREASURY  
WASHINGTON

December 3, 1943

Dear Sergeant Hrab:

I have your letter of October 28, in which you refer to an article in The Stars and Stripes, which quotes me as saying that I had met no one who wanted to go home before the Nazis were licked.

I did say that to some of the war correspondents in Algiers, because the fact is that all of the people I saw seemed to be more interested in getting the war over than in coming home. I did not offer as an opinion that all of our men over there felt that way, nor as my recommendation that they should. I can readily understand how homesick a soldier can get after he has been on the firing line over a long period of time. I think the Army is trying to do everything it can to help the situation, but of course it is very difficult.

It is a great tragedy that any of our young men have to leave home to fight this terrible war, but none of us have any choice about the war -- we didn't ask for it!

You fellows are certainly doing a wonderful job. You have what it takes to lick the men you are up against, and I hope this time they will stay licked.

Best regards,

Staff Sergeant Leon Hrab  
Hq. and Hq. Co. 2nd Bn.  
Sixth Arm'd Inf.  
APO 251 - ASN 32026784  
c/o New York City Postmaster



Oct. 28-1943.  
Somewhere in N. Africa.

Dear Sir:

I read an article in the "Stars and Stripes" where you said "You had met no one who wanted to go home, before the Germans are licked. Well Mr. Morgenthau, we differ from your opinion - After being at the front lines close to seven mos. and seeing thru the African battle, we all think in our division, that all soldiers who participated in the battle should be given a furlough - in the States - and not a rest in some woods - where you still have to sleep on the ground - which after sleeping on the front, on the ground - does not make you feel any better - We are not the type of fellows who complain - And will go on if we have to - Because I think we have the best outfit - And of course why not give those others a chance to prove what they can do - Can't win battles in the States - I'm referring to others

armored divisions - You should interview  
the troops who have seen action over six  
months, and see what they'll tell you.  
They sure don't agree with you. I can  
assure you - Probably those that are  
over seas - that don't see real combat -  
are the ones - who have found a home in  
the army - and like to stay over here -  
We all think we had our share of it -  
Why not give those others a crack at it -  
We deserve a rest - we all think - and  
not in no woods - But back in the  
States, next month - we'll have eighteen  
months over seas - We are ready, and  
will do our job, when we are called upon -  
hoping this letter finds you in best of  
health, I wrote this letter for the boys -  
I'll remain  
yours truly  
S. Sgt. Leon Strat

25

December 13, 1943.

My dear General Betts:

It was very kind of you to send me the information contained in your letter of November 11. I am glad to have Lady Balfour's address and appreciate your sending this to me.

I can assure you that all of us enjoyed very much both the trip itself, and the various contacts which it brought us. Your kindness in connection with this trip was very much appreciated by us all.

With cordial regards and good wishes,

Sincerely,

(Signed) H. Morgenthau, Jr.

Brigadier General Ed. C. Betts,  
U.S.A., Theater Judge Advocate  
Force Headquarters,  
APO 887,  
c/o Postmaster,  
New York, New York.

GEF/dbs

JUDGE ADVOCATE  
SECTION

HEADQUARTERS  
EUROPEAN THEATER OF OPERATIONS  
UNITED STATES ARMY

*21 Nov 45*  
*206*

11 November 1945.

Mr. Henry Morgenthau, Jnr.,  
Washington, D.C.

Dear Mr. Morgenthau,

By way of belated retrieval of my neglect in fail-  
ing to furnish you with the name and address of our hostess  
at tea on the afternoon of October 13 - here it is.

Lady Balfour,  
Brucefield,  
Clackmannan,  
Scotland.

As you will recall, Lady Balfour is the wife of Lord Balfour  
of Burleigh.

We were most grateful to you, Dr. White and Mr. Smith  
for the good humor with which you adjusted yourselves to the  
varying misfortunes of our trip - which was a most pleasant ex-  
perience for us except for the inconvenience you were made to  
suffer.

Sincerely,

*Ed. C. Betts*  
ED. C. BETTS,  
Brigadier General, U.S.A.,  
Theater Judge Advocate

Note: The Secretary asked that this be transmitted officially to Mr. Mack in Procurement and Mr. Thompson did so with a covering memo.

25

December 13, 1943.

Dear Dr. Parran:

It was very good of you to write me as you did under date of December 6, in connection with the service which the Treasury Department was able to render to the United States Public Health Service when that Service was interested in acquiring surplus N.Y.A. property.

I am glad that the various members of the Department with whom you came in contact grasped your needs and were able to assist you in working out your program. I shall pass your letter on to those who had the chief responsibility for this cooperation, and thank you again on their behalf, as well as on my own.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Thomas Parran,  
Surgeon General,  
U. S. Public Health Service,  
Bethesda Station,  
Washington, 14, D. C.

GEM/dbs

FEDERAL SECURITY AGENCY  
U. S. PUBLIC HEALTH SERVICE

WASHINGTON, 14  
(Bethesda Station)

December 6, 1943

Address: Surgeon General  
U. S. Public Health Service

Dear Mr. Secretary:

I should like to express to you my sincere appreciation of the splendid cooperation and unfailing courtesy extended by the personnel of the Treasury Department to representatives of the United States Public Health Service in the acquisition of surplus NYA property under your jurisdiction, to be utilized in federally-operated Rapid Treatment Centers for the treatment of venereal diseases.

The assistance rendered by all of the members of your department concerned has been invaluable in the very considerable task of locating, assigning and recording the needed items of equipment and supplies for the operation of these hospitals. We have profited immensely from their counsel and guidance, and I should like to convey to you the sincere thanks of all of the members of the Public Health Service who have had occasion to work with members of your department.

A number of the NYA resident centers are already open and receiving patients, thanks to your assistance.

Very sincerely yours,

*[Signature]*  
Surgeon General

The Honorable  
The Secretary of the Treasury  
Washington, D. C.

DEC 13 1943

Dear Harry:

As you requested, I have written to Morell Clarke, Publisher of The Record-Advertiser at South Boston, Virginia, in response to his letter to you dated December 4.

I am enclosing a copy of my letter to Mr. Clarke.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Harry F. Byrd  
United States Senate

Enclosure  
HEC/mah

DEC 13 1943

Dear Mr. Clarke:

Senator Byrd has sent to me for direct reply your letter to him of December 4 on the subject of War Bond advertising. I am glad to have the opportunity to clarify my position.

I do not and have not taken the position that advertising in the smaller newspapers is not helpful to the War Bond campaign. It is quite true, as you state, that we have undertaken to stimulate advertising of War Bonds in newspapers published in towns of ten thousand or less and we have had very fine cooperation, for which we are grateful to the publishers who have devoted time and space to this effort. We believe this advertising has been decidedly helpful.

In taking the position that the amended Bankhead bill, now pending before the House, would represent a waste of public funds, I have done so simply on the basis that we have been able and expect to continue to be able to obtain an adequate volume and coverage of newspaper advertising without buying space in any publications. The great bulk of this advertising is sponsored by commercial advertisers, but a large amount of space has also been contributed by newspapers. The latter class represents a self-sacrificing public service. While I cannot fail to recognize the great and valuable service performed by newspapers and other publications without compensation, I am also mindful of the fact that the primary burden of the sales efforts for War Bonds is being borne by willing volunteers in all walks of life who make up the working forces of the War Finance committees in all States and communities. It seems quite illogical to me, and possibly destructive of the volunteer basis on which we are conducting these campaigns, to select

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out a single group for compensation and a single and limited class of publications as the beneficiaries of paid advertising.

The substance of my position is simply that I do not believe that buying space in a limited number or class of publications, as a supplement to the system under which we have had the benefit, without cost to the Government, of the greatest advertising campaign in the country's history, would materially affect the distribution of War Bonds and consequently I am driven to the conclusion that it would be a waste of public funds.

We hope to continue to have the effective help of newspapers in all communities of whatever size.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Morell Clarke  
The Record-Advertiser, Inc.  
201 South Main Street  
South Boston, Virginia

Enclosure

REG/mah:pm



## Morgenthau Calls Bond Ad Proposal 'Potential Waste'

WASHINGTON, Dec. 2.—(AP)—Secretary of the Treasury Morgenthau denounced tonight as a "potential waste of government funds" the senate-approved plan to spend up to \$15,000,000 a year for war bonds advertising in small newspapers.

"I should like to have it on the record that it will not help sell war bonds," he wrote Senator Byrd, Democrat, Virginia, chairman of the joint economy committee, on the eve of house committee hearings on the bill.

The legislation as it passed the senate November 18 would provide for treasury advertising in newspapers in towns under 10,000 population. However, weekly, semi-weekly or tri-weekly papers published in larger communities would be eligible.

# The Record-Advertiser, Inc.

Printers and Publishers

The South Boston News  
Issued Tuesday at South Boston

The Record-Advertiser  
Issued Thursday at Halifax, Va.

Plant and Offices: 201 S. Main Street

SOUTH BOSTON, VIRGINIA

December 4, 1943

Hon. Harry F. Byrd  
United States Senate  
Washington, D. C.

Dear Senator,

Along with the other publishers of small newspapers in towns of 10,000 or less I have been amazed and somewhat incensed at an AP story from Washington dated December 2 referring to a letter written by the Secretary of the Treasury to you. I would like to have a clear understanding on the whole matter.

Last summer letters were written to practically every business firm in the communities we serve on Treasury Department stationery which said in effect that it was vital to have regular War bond advertising every week in our papers. A representative of the Virginia War Bond Committee called on these firms and induced about seventy of them to sponsor a six months campaign in our two papers. We sold the space at very much less than our regular rates in order to cooperate. Now Secretary Morgenthau says that war bond advertising in small newspapers will not help sell War Bonds.

Once or twice a month we receive a large package of plates from the Treasury Department for free insertion in our two weekly newspapers. We have used these plates whenever possible without cost to the Government. Now, according to the Secretary we are just wasting our space.

Please do me the favor of bringing this letter to the attention of the Secretary so that we will be able to fix our policies in the future in regard to War Bond advertising.

Sincerely yours,

Copies to:  
A. Robins, President  
Virginia Press Association  
Mr. T. G. Burch, M. C.  
E. Keister, Chairman  
U. S. A. War Bond Committee

*Morell Clarke*  
Morell Clarke

DEC 13 1943

Dear Mr. Maverick:

I think your idea of a committee to extend and pursue the "Buy a Bomber" campaign in the prisons is a good one. I approve strongly the first two names suggested, but think that someone much more appropriate than myself for the third member can be chosen. My idea would be someone who in the past has taken an active interest in prison work. Either Mr. Bennett or yourself may be able to suggest a name. I am suggesting to Ted Gamble that he get in touch with you to help in any way he can.

Information I get from the War Savings Staff amply confirms your statement that the prison campaign has been a great success merely from the war finance aspect. I can fully appreciate that its social value is greater and more important. You have done a grand job for which my thanks can be only an insignificant part of your reward.

I hope to be able to make an appointment to talk to you personally about it soon.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Maury Maverick  
Director, Government Division  
War Production Board  
Washington, D. C.

HEG/mah

WAR PRODUCTION BOARD

WASHINGTON, D. C.

December 2, 1943

IN REPLY REFER TO

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

Dear Mr. Morgenthau:

Heretofore, we approached you on the matter of a "Buy a Bond" campaign for the prisons of the United States. It was an overwhelming success - one of the greatest social advances in America.

This mainly included State prisons. To the extent that it did not include Federal prisons, it was a mistake. Indeed, it should include local jails, such as those of Ed Kelly, and Fiorello La Guardia.

I have, therefore, communicated with the Honorable James V. Bennett, Superintendent of Federal Prisons, who wishes to be included in this campaign. It is suggested that a "Committee" be appointed. That this "Committee" be composed, in deference to the request of Mr. Bennett, of Maury Maverick, Chairman, James V. Bennett and -- it would be very nice -- Henry L. Morgenthau, Secretary of the Treasury, although this may be too high in the social world for the first two names; (it is especially pointed out that Mr. Bennett, a respectable career man, has not approved of this particular suggestion.)

However, if Mr. Morgenthau should not be available, then it is desired that we have included a responsible banker of bourgeois connections, a man of the middle class, who would be acceptable.

If there is nothing that can be done about having this person serve with us on this committee of the middle class, it is requested that the Secretary of Treasury himself appoint a third member in order that we may proceed with this matter. It is especially and respectfully pointed out that this writer has written to this addressee over a period of ten years, and that an actual bona fide personal reply read by the signer, has never been received by this writer. This even included a time when in periods past this writer was a member of a certain legislative body for

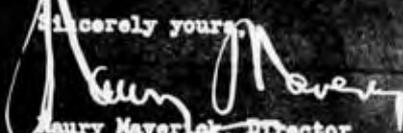
Honorable Henry L. Morgenthau  
December 2, 1943  
Page 2

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which the Executive Branch is said to have little respect. And now  
this is written with much trepidation, since the author of these  
remarks is but a minor employee of our Executive Branch.

But quite seriously, this has been one of the greatest  
things in American life — men giving their money and their blood  
for the sake of America. Therefore, I shall appreciate as early  
a communication as possible in order to work this out.

Sincerely yours,



Maury Maverick, Director  
Government Division

TO:

The Secretary

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This is notice  
of Call of 3 1/4 %  
1944-46 bonds for  
payment next April  
15th. Amount outstanding  
about \$1,500,000,000

Notice to be given to  
Press on Sat. of next week  
for Moudan's papers.

Office of the Under Secretary

12-4

sws

THREE AND ONE-QUARTER PERCENT TREASURY BONDS OF 1944-46

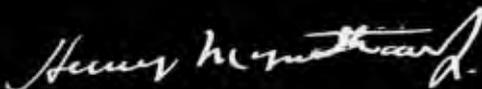
NOTICE OF CALL FOR REDEMPTION

holders of 3-1/4 percent Treasury Bonds of 1944-46, and Others Concerned:

Public notice is hereby given that all outstanding 3-1/4 percent Treasury Bonds of 1944-46, dated April 16, 1934, are hereby called for redemption on April 15, 1944, on which date interest on such bonds will cease.

2. Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given and an official circular announcing the exchange offering will be issued.

3. Full information regarding the presentation and surrender of the bonds for cash redemption under this call will be found in Department Circular No. 666, dated July 21, 1941.



Henry Morgenthau, Jr.,  
Secretary of the Treasury.

TREASURY DEPARTMENT,  
Washington, December 13, 1943.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

DEC 13 1943

FROM Randolph Paul

The pending Revenue bill, currently being considered in executive session by the Senate Finance Committee, contains a number of amendments to the existing law covering the renegotiation of Government contracts.

The bill as it passed the House contains a number of provisions relating to renegotiation which are considered highly undesirable by the renegotiating agencies. The more important of the undesirable provisions contained in the House bill are:

(1) The creation of a War Contract Price Adjustment Board, the function of which, among other things, would be to review determinations of excessive profits made by the renegotiating agencies;

(2) A provision for a de novo review by the Tax Court of determinations of excessive profits made by the Price Adjustment Board; and

(3) A provision permitting the reopening, in the Tax Court, of all the cases which have so far been renegotiated and as to which an agreement has been entered into between the Government and the contractor. (There are more than 8000 such cases, involving about \$5.5 billion in refunds of excessive profits and price reductions).

The departments concerned, including the Treasury, have all appeared before the Senate Finance Committee and presented their reasons for opposing the provisions above

Secretary Morgenthau,

2.

described, but I am informed that, with the single exception of substituting the Court of Claims for the Tax Court, the Senate Finance Committee has shown no disposition to go along. In fact, although the Senate Finance Committee has not completed its consideration of the renegotiation provisions in the tax bill, I am informed that they have gone even further than the Ways and Means Committee in cutting down the application of the statute and in making its successful operation, from an administrative standpoint, more difficult.

For example, on Saturday the Committee approved the insertion in the House bill of a mandatory exemption from renegotiation of so-called "standard commercial articles". The definition of standard commercial articles is very complicated, and its exact scope impossible of determination, but it is fair to say that its effect will be to exempt from the operation of the statute a very substantial area of war production in which excessive profits are being realized. The Committee has also removed the provision of existing law which permits the procuring agencies to adjust contract prices on any basis other than a purely voluntary one, and has inserted a provision requiring the renegotiating agencies to make their determinations on an after-tax basis rather than before. (All of these changes were strenuously opposed by the agencies concerned when consideration was given to them in the public hearings before the Senate Finance Committee).

In general, I think it fair to say that the bill as the Senate Finance Committee will report it will be even more objectionable than the bill which passed the House.

I think it is also fair to say that the changes made reflect a desire on the part of those sponsoring the changes to emasculate the existing statute as far as possible without having to take the responsibility that would go with a proposal to repeal the statute outright.



# TREASURY DEPARTMENT

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## INTER OFFICE COMMUNICATION

DATE December 13,  
1943

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: Use of the food stamp plan

In response to your verbal request of December 1, I am submitting the following statement on the possibility of using the food stamp plan in the present emergency for relieving the pressure of rising living costs.

### 1. Possible use of the food stamp plan as a substitute for present subsidies

If Congress places a ban on the use of subsidies to hold down living costs, an inflationary price-wage spiral is likely to develop unless an alternative plan can be worked out for relieving the pressure for wage increases. Superficially, the food stamp plan might seem suitable for this purpose, since it would partially relieve the impact of higher food costs on wage earners; it would take care of hardship cases in the low income groups, and the subsidy involved would not be opposed by the farm bloc --in fact, the food stamp plan is apparently supported by this group.

On closer examination, however, the food stamp plan cannot be recommended as a means of retarding inflation in lieu of present subsidies, for two major reasons:

(a) The greatest pressure for wage increases is from the relatively high-paid organized labor groups, and the food stamp plan could not be effectively extended to these groups except at prohibitive cost.

(b) The practical effect of the inauguration of a food stamp plan would be to encourage further legislative pressure for higher farm prices, since the farm bloc could then advance the argument that the impact of higher food prices would be only on those able to pay them. Endorsement of the plan would thus play into the hands of the Congressional farm group.

### 2. Use of the food stamp plan to relieve needy groups

Several proposals for use of the food stamp or food allotment plan, purportedly to relieve hardship cases resulting from rising

- 2 -

food costs, were incorporated in bills submitted to Congress before the summer recess. These bills were reviewed in a memorandum submitted to Mr. D. W. Bell at his request on August 9, 1943. This memorandum (a copy of which is attached) contains certain additional arguments against the food stamp plan as incorporated in the proposed legislation.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 9, 1943

TO Mr. D. W. Bell

Prepared by: Mr. Daggit and Mr. Murphy  
FROM

Subject: Food Allotment Plan

In response to your verbal request of July 30, we are submitting the following comments on a proposed food allotment plan, embodied in the essentially identical bills H. R. 3185 by Representative LaFollette of Indiana; H. R. 3186 by Representative Voorhis of California; and S. 1331 by Senator Aiken of Vermont. A plan similar in purpose, but differing in its provisions, is contained in S. 1260 by Senator Lodge of Massachusetts.

The bills H. R. 3185, H. R. 3186, and S. 1331 are designed to insure for each person a specified minimum diet, or basic food allotment. If the average family income of any income group is insufficient to purchase such allotment, the difference is to be made up by a Government subsidy (provided by a Congressional appropriation) in the form of food-allotment coupons of specified monetary values, which may be used by eligible persons to buy foods at licensed stores, and which are to be redeemable by such stores or an authorized transferee upon presentation to the Treasury. The bills prohibit rollback subsidies and limit other subsidies.

The bill S. 1260 authorizes the Food Administrator to plan a food-stamp program for increasing the food purchasing power of eligible individuals and institutions, using Commodity Credit Corporation funds. Eligible individuals are defined as those whose family income is not more than 20 percent greater than on January 1, 1939, and not more than \$1,000 a year for a single person, or \$1,200 a year for a married couple, plus \$100 for each dependent; or any individual, 50 percent or more of whose family income is used for the purchase of food. A private institution or individual who maintains a foster home for children or provides food and shelter for eligible individuals is also eligible.

The principal objection to these bills is that, while appearing to present a plan for extending the generally-accepted food stamp program to care for needy groups, their real effect would be to permit farm and food prices to rise without being subject to the criticism that such a rise would be harmful to the lower-income groups.

- 2 -

All four bills would be inflationary, in that they would add to the purchasing power of individuals and increase the demand for food products. Unlike subsidies used to stabilize prices of cost-of-living items, which serve an anti-inflation purpose in forestalling wage increases, the rising cost of foods under these plans would accelerate demands for wage increases.

There is no evidence of any unusual present need for food relief. On the contrary, as indicated by direct relief payments, the need for relief is at the lowest point in years. The real need for such payments would be during a period of depression, not at a time of full employment.

The food allotment plan makes no provision for relieving the pressure of higher food costs on fixed-income families above the low income groups, whose spendable income may have been reduced by higher taxes and by required payments on previous commitments.

The cost of maintaining basic food allotments under such a plan would be difficult to determine and might reach a huge total, particularly since the cost would rise in proportion to the inflation in food prices created under the plan.

Finally, it should be noted that all four bills would involve the anomaly of making relief payments to a great many persons from whom direct income taxes are collected. We estimate that the annual cost of the basic allotment at June 15 retail prices would be approximately \$645 for the average family of 4.1 persons (1940 census, excluding single persons.) This may be compared with the \$624 exemption under the Victory tax. If relief is to be extended to any group, it would seem that the first step should be to relieve it of direct taxes, and so avoid the administrative cost of collecting direct taxes on the one hand and of administering relief on the other.

Attachments

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Dec. 13, 1943

TO Secretary *W. H. C. [Signature]* Roosevelt  
 FROM Mr. Haas *[Signature]*  
 Subject: The Business Situation,  
 Week ending December 11, 1943.

Summary

Wage control: The wage stabilization program faces a crucial test as a result of the CIO United Steel Workers formal demand for an increase of 17 cents per hour in the basic steel wage rate. Granting of the request would be tantamount to scrapping the "Little Steel" formula, and would undoubtedly be followed by a request by the steel companies for a rise in steel prices.

Factory payrolls: Although factory employment increased only 0.2 percent in October, factory payrolls rose 1.6 percent to a new peak, reflecting a further rise in earnings per worker. Since January 1941, average weekly earnings of factory workers have risen 69.1 percent, as compared with an increase of 23.4 percent in the cost of living.

Canadian wage control: The Canadian Prime Minister last week outlined a new wage control program in which the cost-of-living bonuses, previously granted as adjustments for increases in living costs, would be incorporated in the basic wage rates and no further bonuses would be paid. The Government will continue its attempt to stabilize living costs, partly through subsidies, but will review the wage situation if living costs should rise more than 3 percent.

Commodity prices: Featured by rising prices for grains and cotton, commodity prices moved higher last week and the ELS index of 28 basic commodities now stands at the war-time peak reached near the end of September. In the week ended December 4 the BIS all-commodity index rose slightly to 102.8 percent of the 1926 average. This rise was due in part to an upward revision in coal and coke ceiling prices to compensate for higher labor costs under the recent coal-wage agreement.

Retail trade: Stimulated by early Christmas shopping, department store sales rose more than seasonally in November, and the FNE adjusted index of sales for the month rose 9 percent to 152, the second highest figure on record.

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- 2 -

Wage stabilization program under heavy pressure

Recent specific demands for substantial wage increases by the United Steel Workers Union, and overwhelming Senate repudiation of Stabilization Director Vinson's stand in the railroad wage controversy, again focus attention on the wage stabilization program, which undoubtedly faces a crucial test in the near future. As the pressure increases for higher wage rates, it is of interest that figures just released by the Bureau of Labor Statistics reveal that factory payrolls in October advanced to a new record high, 1.6 percent above the previous month, although employment rose only 0.2 percent. As a result, estimated average weekly earnings of factory workers during the month moved up to a new war-time peak, 39 percent above the 1939 average. (See Chart 1.)

Steel and automobile workers make formal wage demands

Following up earlier announcements that a wage increase would be demanded, the CIO United Steel Workers Union has formulated specific demands, and collective bargaining proceedings with steel company executives is expected to get under way this week. In addition to an increase of 17 cents an hour in the basic steel wage rate, the Union is also making a long list of other demands, including a guaranteed minimum weekly wage, and bonuses for evening and night shift workers. The hourly wage increase demanded represents an advance of nearly 22 percent over the existing rate, and, if granted, would of course make the "Little Steel" formula obsolete. In advancing the demands for wage increases, the President of the United Steel Workers stated that they were being made to meet the losses due to higher living costs which the workers have already suffered. In addition to the steel workers, automobile workers also have been demanding wage increases, with the CIO United Automobile Workers of the Chrysler Corporation presenting formal demands, following similar action at plants of the Ford Motor Company, the General Motors Corporation, and smaller manufacturers.

In connection with the requests for wage increases and the concerted drive on the "Little Steel" formula, the contention is made that whereas the rise in hourly wage rates since January 1941 is limited to 15 percent, living costs have risen to a greater extent. On the basis of the BLS index, living costs since January 1941 have risen over 23 percent, and labor organizations claim that the official index understates the actual rise in living expenses.

On the other side of the picture, however, it will be noted that average weekly earnings have increased much more

- 3 -

rapidly than living costs during the period covered by the "Little Steel" formula. This is due, of course, to the longer working hours, increased overtime pay, up-grading, and other factors tending to swell the weekly pay of factory workers under war-time conditions. It will be observed in Chart 2 that average weekly earnings of factory workers by October had risen 59.1 percent above January 1941 levels, in sharp contrast to a rise of 23.4 percent in living costs during the same period.

Despite the limitations of the "Little Steel" formula, average weekly earnings of wage earners of the United States Steel Corporation in October were nearly 53 percent higher than in January 1941, while average weekly earnings of all wage earners in the steel industry in September were 55 percent above January 1941 levels, according to American Iron and Steel Institute figures.

#### Wage increase would result in demand for higher steel prices

In connection with the demand for wage increases being made by steel workers, the United States Steel Corporation has indicated that it will be compelled to ask for increases in steel prices if the pending wage demand is granted. The Corporation claims that the granting of an increase of 17 cents per hour in the basic wage rate would raise its annual labor costs about \$141 millions.

At the same time it is pointed out that prices for major steel products today are the same as published quotations in 1939, as a result of ceilings imposed by the OPA in April 1941. The recent coal wage agreement, and the imposition of the 48-hour week, have already added to steel production costs, so that trade circles believe even a compromise wage settlement would be followed by heavy industry pressure for higher steel prices.

#### Subsidy battle continues

Since the Senate Banking Committee finished its public hearings on the House bill extending the life of the CCC for 18 months and eliminating food subsidies, the farm bloc is reported to be pressing for a vote on this bill before the holiday recess. The Senate Agricultural Committee last week approved, 10 to 0, a bill outlawing the present milk subsidy and requiring a 1-cent-a-quart increase in the producers' price of milk.

- 4 -

Meanwhile, War Mobilization Director Byrnes, in a radio address last week, stressed the need of subsidies in averting inflation. He stated that if food subsidies are eliminated, food costs will immediately rise 7 percent, resulting in a rise in the cost of living of more than 3 percent. He was later supported by a representative of the National Farmers' Union who spoke before the Senate Banking Committee in opposition to the banning of food subsidies. The Farmers' Union is the only major farm organization approving the food price and subsidy program. Congressional mail, however, is reported as beginning to reflect considerable popular support for subsidies. It is perhaps significant that Senator Taft, who has generally opposed the use of subsidies, recently suggested that a compromise be arranged. Some observers see a possibility that Congress will extend subsidies for another six months and will make a final decision on the subsidy question when dealing with the extension of the Price Stabilization Act, which expires at the end of this fiscal year.

Food Administrator Jones emphasized last week that it is very important for Congress to decide at once upon the subsidy question, as delay might hamper the 1944 food production program. Once the question is decided, price-control agencies and farmers can plan accordingly for next year. In this connection, flour millers were reported to be holding down their sales because of the uncertainty over the continuation of the flour subsidy.

#### Food allotment plan to be considered

In the midst of the subsidy controversy, the Senate Agricultural Committee decided last week to investigate the five-month-old proposal to allocate basic foods to low-income families. A subcommittee will hold hearings on the food allotment plan embodied in a bill introduced by Senator Nixon last July. The bill provides that persons whose income does not permit them to maintain a specified minimum diet would be given coupons which could be used for the purchase of foods. These coupons would be redeemable by stores or an authorized transferee, upon presentation to the Treasury.

Proponents of this plan contend that it would subsidize only those in need, whereas general subsidies aid both the poor and the wealthy. While this argument may be valid, the food allotment plan would have little or no influence in retarding inflation. In fact, pressure for raising farm prices would likely be increased, since it could be argued by the farm bloc that higher food prices would be borne only by those able to pay them. Moreover, since the substitution of a food allotment plan in place of general subsidies would result in higher food prices, demands for wage increases would undoubtedly increase.

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Canada revises wage control program

A revised wage control policy for Canada was outlined by Prime Minister W. L. Mackenzie King last week. Under the new wage policy, the cost-of-living bonus, which had previously been granted as an adjustment for each rise of 1 point in the cost-of-living index, will be added to and become part of present basic wage rates, and no further bonuses will be paid.

Meanwhile, the Government will continue to maintain control over prices. The Prime Minister declared that the Government was resolved to hold the price ceiling line and guard wage-earners against any rapid increase in living costs. He promised farmers, in return for their support of the price ceiling policy, that he would ask Parliament to place floors under prices of the principal farm commodities, so as to insure against agricultural depression after the war.

"The Government believes", Mr. King said, "that by holding the cost of living at the present level it will afford a more adequate safeguard of the basic living standard of labor than was provided by the cost-of-living bonus". However, if the cost of living should rise more than 3 percent and remain at that level for two consecutive months, it was indicated that the Government would review the whole program of price control and take appropriate action.

Commodity prices higher

Featured by rising prices for grain and cotton, commodity prices moved higher last week, with the Dow Jones futures index reaching a new high for the war period. The BLS index of 28 basic commodities was slightly higher for the fourth consecutive week, and now stands at the war-time peak reached near the end of September, 78.4 percent above the August 1939 average. (See Chart 3.)

Wheat prices rose noticeably in anticipation of a ceiling price on hard wheat at the parity level, which is 2 to 10 cents a bushel above prevailing levels for futures. Corn prices increased 3.5 percent as a result of the upward revision in the ceiling. Cotton prices, after having declined to approximately the Government loan level, rose substantially last week, chiefly reflecting heavier mill buying and the continued rapid movement of cotton into the Government loan stocks. Steer prices, however, were depressed by heavy marketings.

- 6 -

In a move to ease the feed situation, the House voted last week to permit duty-free importation of livestock and poultry feed for a period of 90 days. It was disclosed that CCC sales of feed wheat from July 1 to November 30 amounted to almost 189 million bushels, and that the Corporation now owns only 87 million bushels. During this 5-month period the CCC purchased 71 million bushels, of which almost 44 millions came from Canada.

#### All-commodity index rises

The BLS all-commodity index in the week ended December 4 rose 0.2 percent to 102.8 (1926-100). Higher prices for livestock, hides, and coal were largely responsible for the rise in the index. Price ceilings on coal and coke were revised upward to compensate for the higher labor costs entailed in the recent coal-wage agreement. The index is now only 2.7 percent above that of the corresponding week last year, but it is 37.1 percent above the pre-war level of August 1939.

Notwithstanding the recent advance, the all-commodity index has shown a leveling tendency for the past five months. (See Chart 4.) On the other hand, the basic commodity index rose gradually until the end of September before leveling out. Although higher prices for grains and livestock tended to raise the level of the basic index during the summer months, the influence of these commodities on the all-commodity index was offset by declines in prices for fresh fruits and vegetables, and in other prices which are not included in the basic index. In recent months grain prices have continued to rise, but their advance has been counteracted by lower prices for livestock and cotton, with the result that both price indexes have been relatively stable.

#### Stock prices rise and trading activity increases

Following up the improvement which got under way at the beginning of the month, stock prices showed further gains last week on increased trading volume. At the close on Saturday prices were nearly 3 percent higher than a week earlier and industrial stocks stood at the highest level since November 5. (See Chart 5.) Trading volume on Wednesday rose well above the million-share mark for the first time since November 9.

Talk of an early peace in Europe appears to have abated somewhat, with a consequent lifting of recent pressure on war stocks. At the same time brokerage circles report that the customary year-end tax selling has been lighter and is ending

- 7 -

earlier than usual. During the week it was revealed that the short interest in the market at the end of November rose to 760,000 shares from 729,000 shares at the end of October. The short interest in American Distilling Company shares, which have had a sensational price rise in the past two months, increased about 12 percent during the month to a total of 11,240 shares.

November department store sales rose more than seasonally

Department store sales in November were heavily stimulated by the early Christmas shopping rush and rose more than seasonally. As a consequence, the FRB adjusted index of sales rose in November to the second highest level on record at 152, as compared with 140 in the previous month. Although sales showed a customary sharp jump in the week ended December 4, the gain over last year's level narrowed to 7 percent from 13 percent in the previous week. (See Chart 6.) In view of the heavy volume of Christmas shopping already completed, gains over year-earlier levels in the remaining pre-holiday weeks may easily show further narrowing or actually decline, but a record volume of business for the season now seems assured.

Reconversion problems receiving increased attention

The easier supply situation now developing in such important basic materials as steel, copper and aluminum, and cut-backs in orders for certain types of military equipment, is tending to heighten interest in reconversion problems. In view of the outstanding role which the automobile industry is expected to play in the post-war economy, particular interest attaches to problems confronting the automobile manufacturers and their indicated plans for the future.

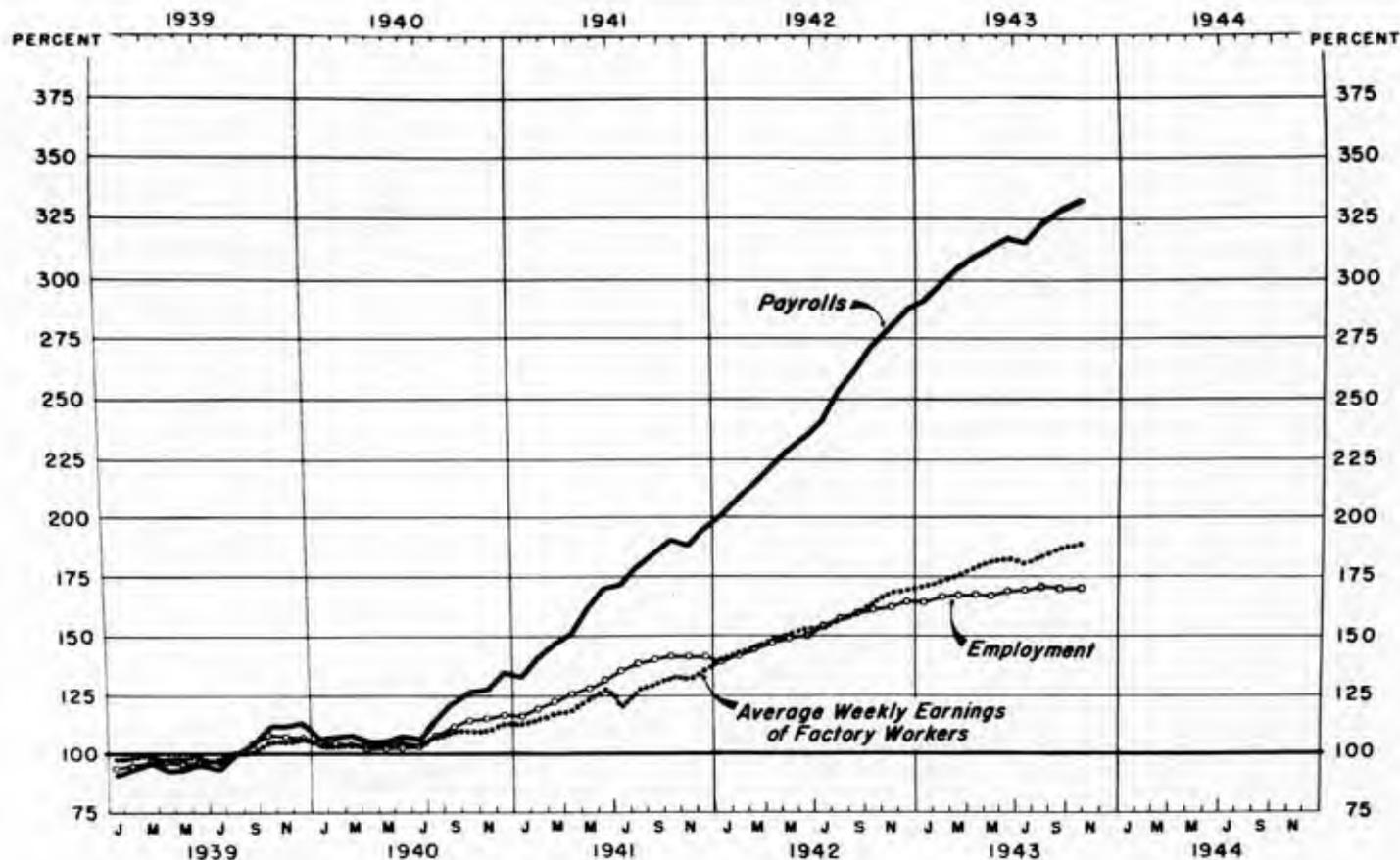
Last week the chairman of the General Motors Corporation stated that his company is prepared to spend \$500 millions in equipping the company to meet a post-war demand predicated on the basis of an annual national income of \$100 billions. The expenditure would cover cost of reconversion and retooling for peace-time production, and adaptation of present equipment to the latest technical developments. The president of the Chrysler Corporation recently estimated reconversion costs for his company at \$115 millions, including \$40 millions for materials inventories, and \$12 millions for developing dealer organization and sales promotion. Likewise the cost of reconverting the Packard Motor Car Company was estimated at \$10 millions by a company official.

- 8 -

The General Motors Corporation is already reported to have placed an order for some machine tools for post-war delivery, even though work cannot be carried out at the present time in view of war-time limitations. However, in view of the steady decline in the machine tool industry's backlog of orders since the summer of 1942, the time may not be far off when work on machine tools for peace-time production may be possible. According to preliminary data, shipments of machine tools in October showed a further decline of 11 percent, and the backlog of unfilled orders at the end of the month was only about one-fourth of the July 1942 peak.

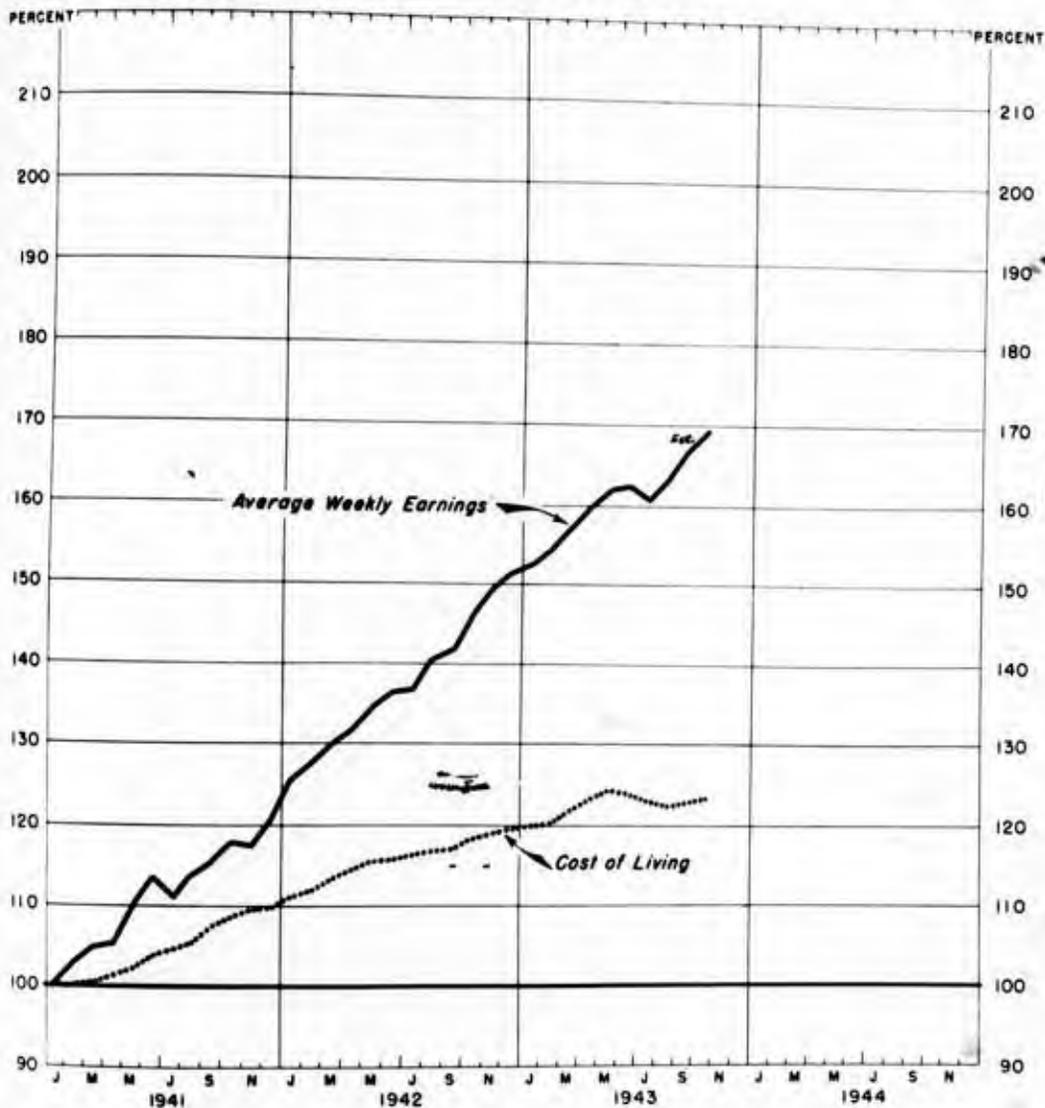
# FACTORY EMPLOYMENT, PAYROLLS AND WAGES

1939=100, Unadjusted



## EARNINGS OF FACTORY WORKERS AND COST OF LIVING

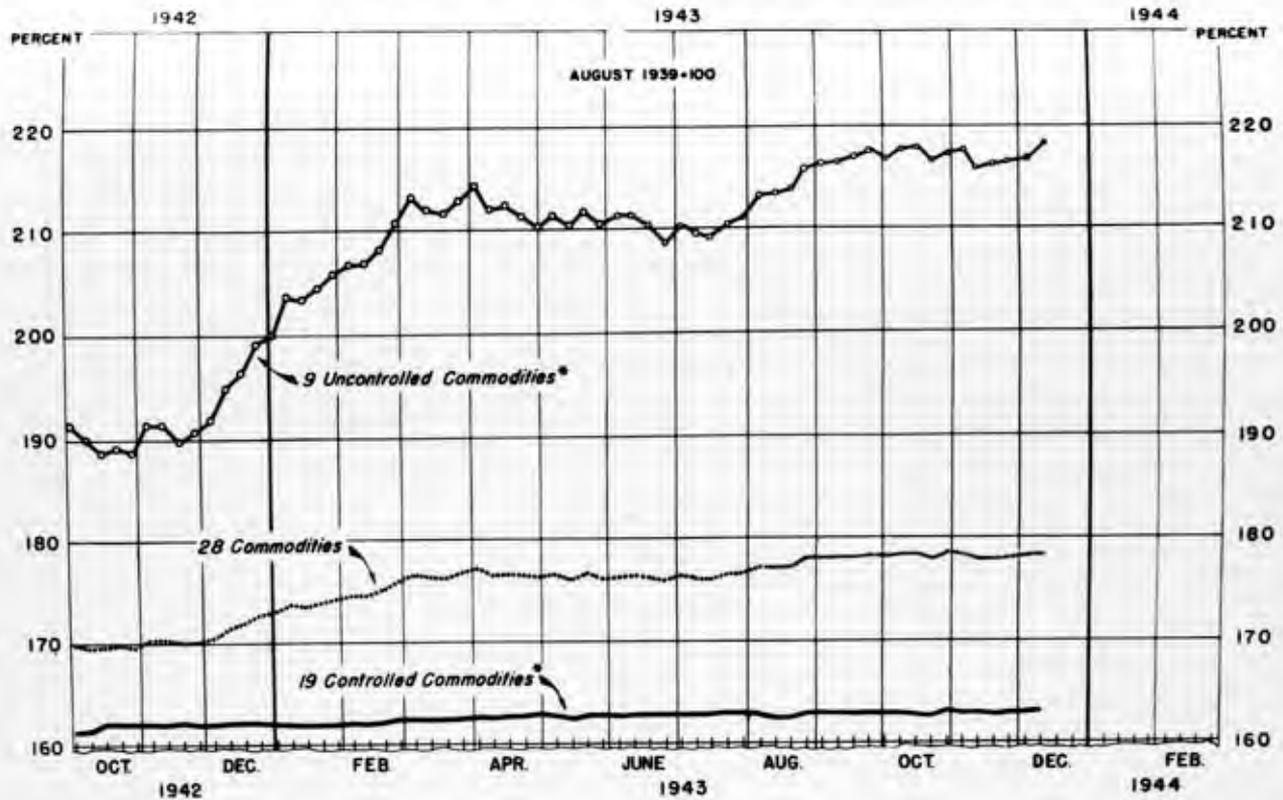
January 1941 = 100



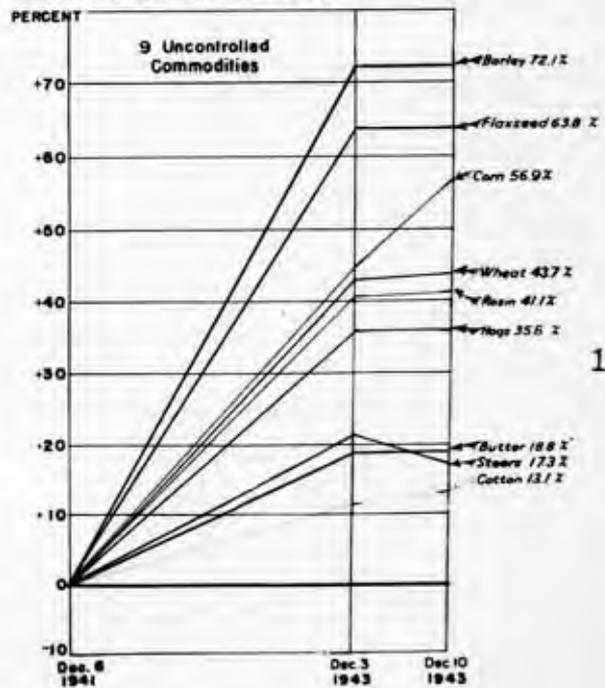
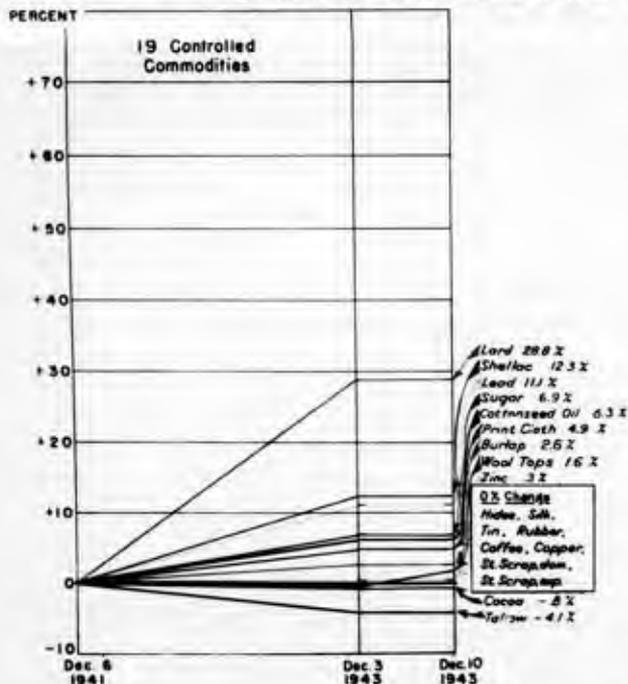
Office of the Secretary of the Treasury  
 Bureau of Research and Statistics

C-525

# MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO DEC. 3, AND DEC. 10, 1943

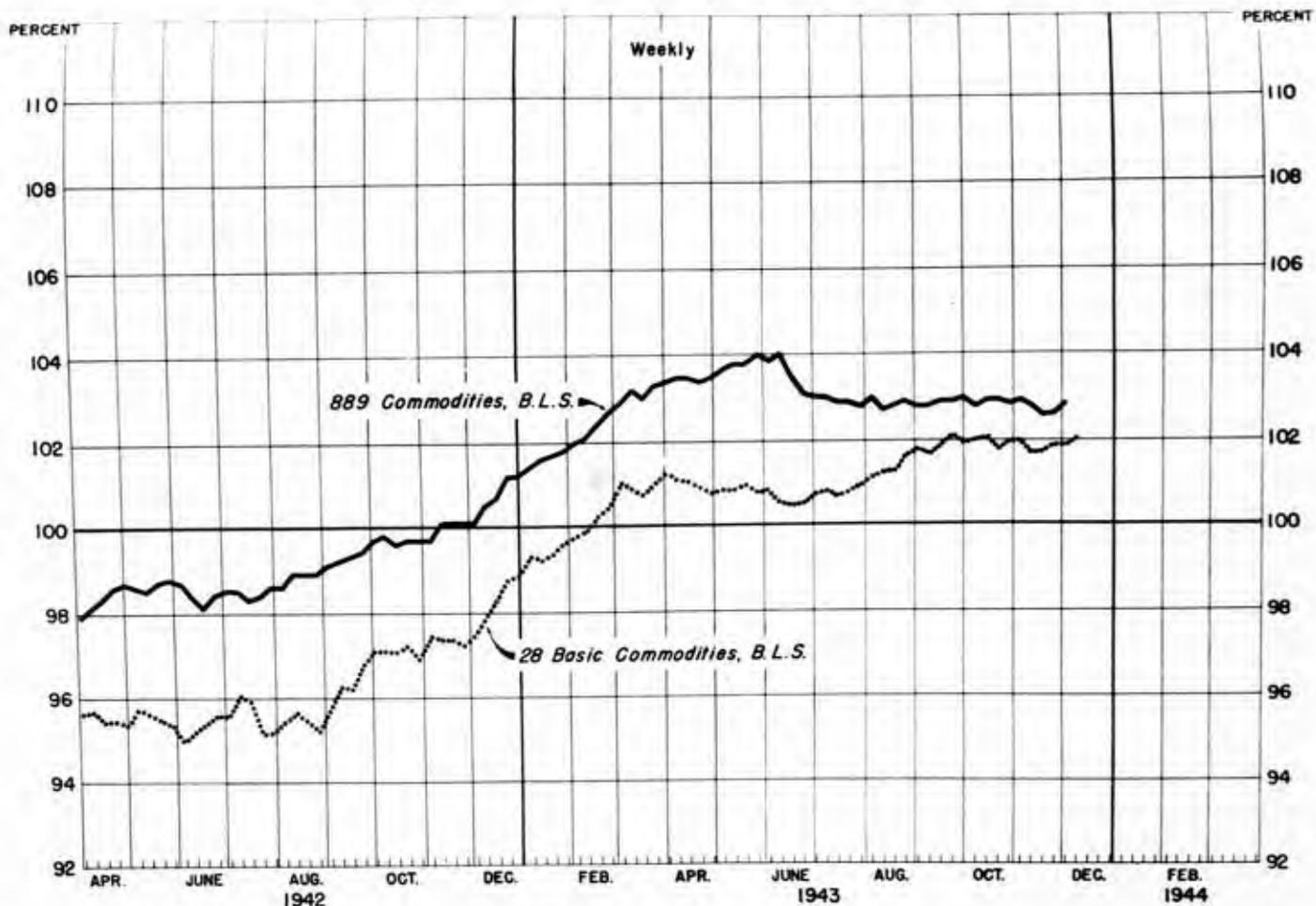


\* 20 Controlled & Uncontrolled previous to June 26, 1942

190

# COMMODITY PRICES

1926 = 100



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

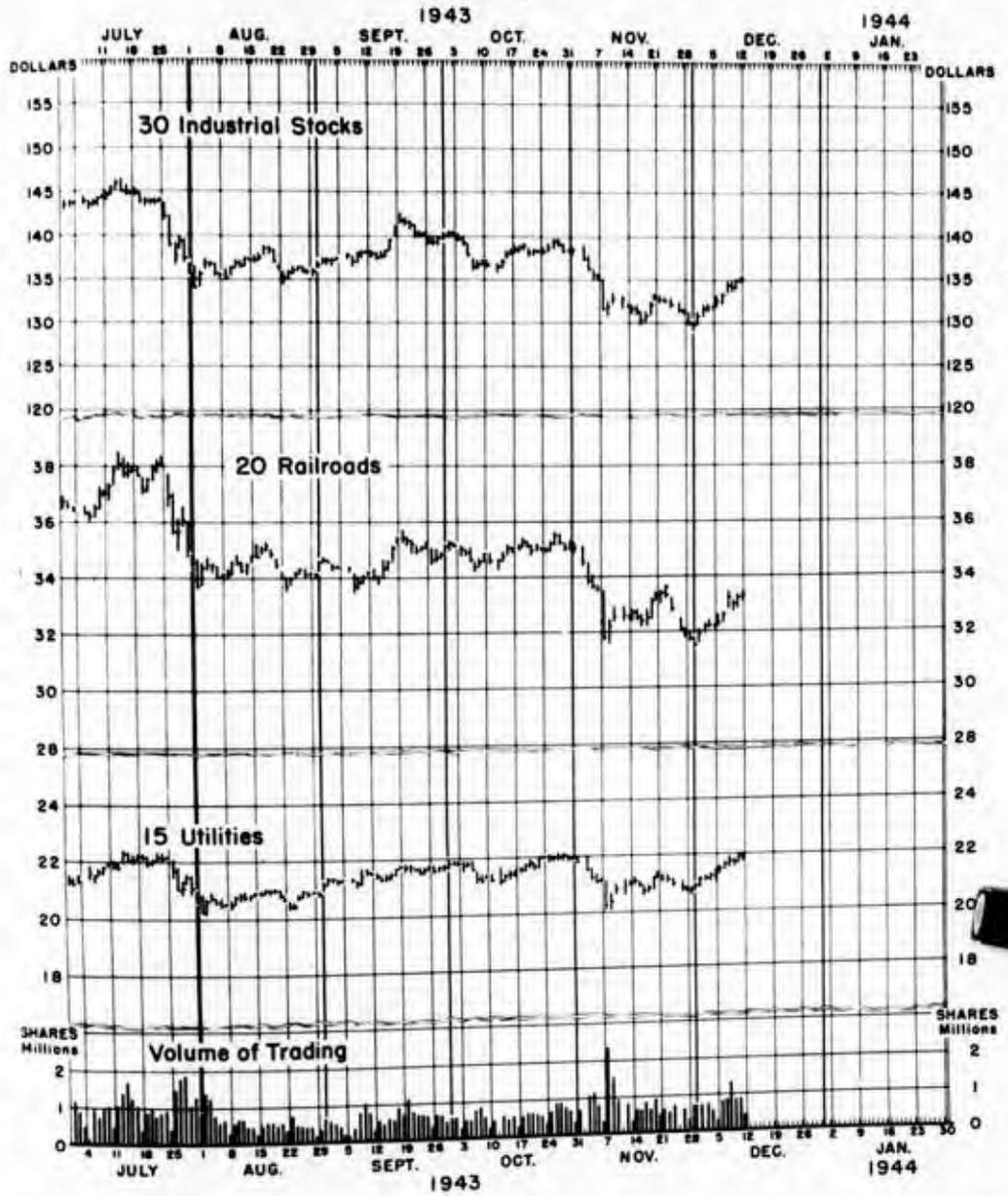
P-196-F

Chart 5  
191

Regraded Unclassified

# STOCK PRICES, DOW-JONES AVERAGES

Daily

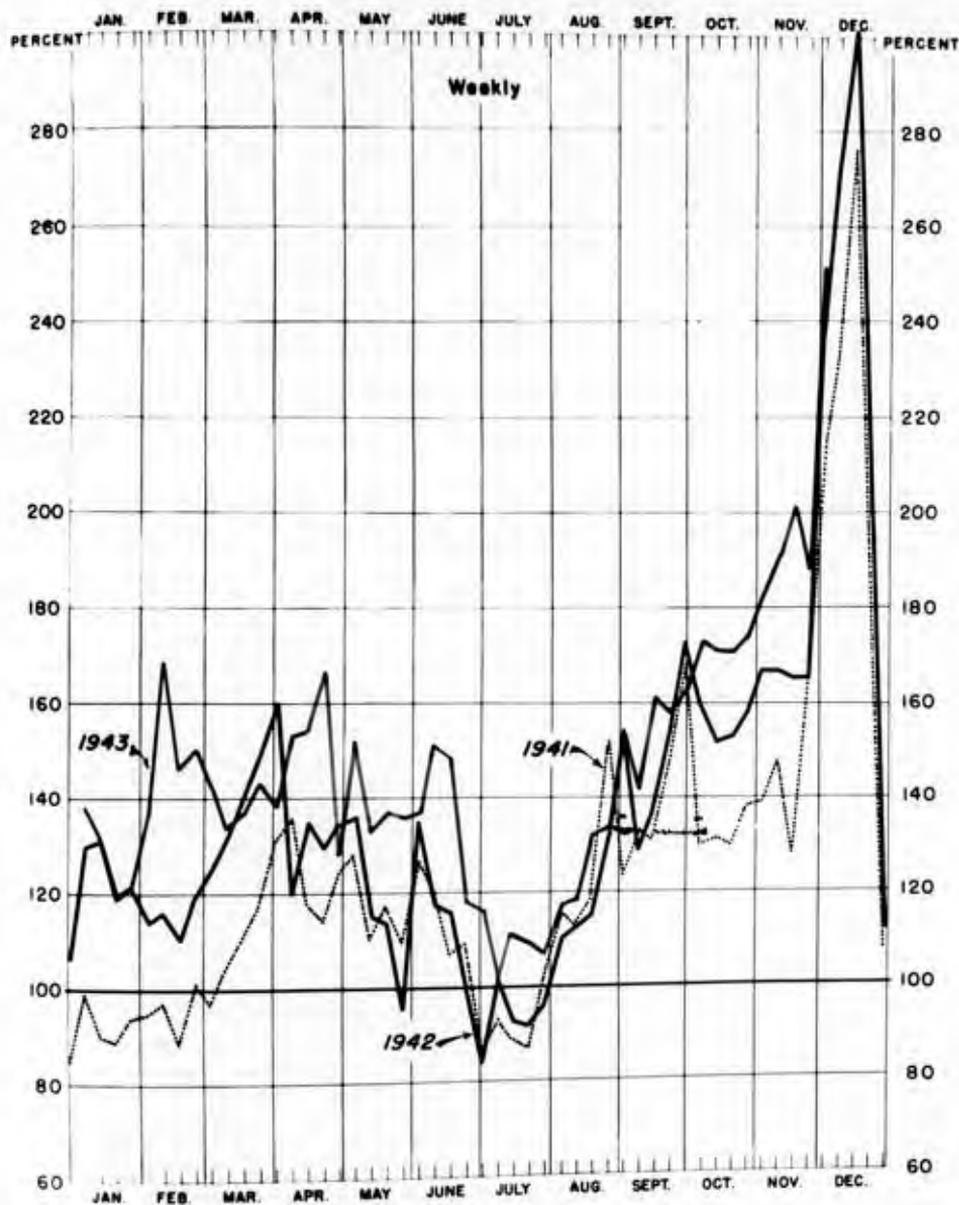


Office of the Secretary of the Treasury  
Division of Research and Statistics

Chart 6

# DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Randolph Paul

DEC 13 1943

You will be interested in the attached documents which relate to the Argentine freezing matter.

You will recall that at the conference held in Mr. Hull's office on November 24 it was agreed that the principal Latin American Republics would be sounded out as to whether they would be willing to take parallel action with the United States in freezing Argentina or, if not, whether they would be willing to announce that they agreed with the action of the United States in freezing Argentina.

On Tuesday, December 7, Collado advised Pehle that the various interested persons in the State Department had had several long conferences with Hull about the matter, as the result of which Hull sent on Saturday, December 4, personal telegrams to our ambassadors in Mexico, Chile, Brazil, Peru, and Colombia asking the views of such ambassadors on the matter, but not requesting that such ambassadors take the matter up with the governments to which they are accredited. A copy of the circular telegram sent to the five ambassadors was received by Pehle on December 9 from Collado and is attached. Also received and attached are the replies from the five ambassadors. You will note that the replies from the Ambassadors to Colombia, Peru, and Mexico are definitely favorable. The reply from the Ambassador to Brazil is not as favorable as had been expected. However, it is indicated that any action which we might take would receive favorable publicity in Brazil and approval would be expressed privately by the Brazilian Government. The reply from the Ambassador to Chile is about as good as we could expect.

You will also be interested in the fact that apparently Ambassador Armour is to be instructed to try to obtain a specific statement from the Argentine Government concerning the manner in which it proposes to implement the resolutions of the Rio and Washington Conferences.



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Bogota  
TO: Secretary of State, Washington  
DATED: December 7, 1943  
NUMBER: 2247

SECRET

It is my confident belief that the Government of Colombia as constituted at the present time will effectively cooperate with us in adopting measures against inimical activities in Argentina such as those contemplated in the Department's circular telegram of 10 p.m., December 4, 1943. In the past Carlos Lleras Restrepo, the Minister of Hacienda, has given adequate evidence of his desire to take effective steps against Axis interests in Colombia and, on the ground that Ericsson interests may possibly have some indirect connection with the Axis, he, as a member of the Municipal Council, is actively supporting Automatic Electric Company as against Ericsson interests, according to information received yesterday.

LANE

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, LIMA  
TO: Secretary of State, Washington  
DATED: December 6, 1943  
NUMBER: 1590.

SECRET

Certain of the controls referred to in the Department's circular telegram of December 4, 1943, particularly in regard to Proclaimed List names and Axis nationals as reported in the despatches of May 25, May 29, July 7 and October 30, 1943, nos. 6931, 6970, 7290 and 8218 respectively, are already being exercised by the Government of Peru in regard to all countries, including Argentina. Control is being exercised on merchandise transactions as well as on remittances.

However, we doubt that the Government of Peru would take parallel action as regards blocking Argentina even with reference to the Banco de la Provincia de Buenos Aires and the Banco de la Nacion Argentina or other Argentine entities not included in the Proclaimed List.

The Embassy, on the other hand, is inclined to believe that there would be no serious objection on the part of the Peruvian Government to publicly announcing its opinion that such measures taken by the Treasury of the United States are considered necessary and justified for the security of the hemisphere. Furthermore, we believe that a discussion with Peruvian authorities on the subject would very likely serve as a timely reminder that economic warfare is still a highly important activity and that in view of the fact that the controls as stated in the Department's cable would be applied in such a way as not to interfere with legitimate commercial transactions in this hemisphere, the overall result would be wholesome and not injurious.

PATTERSON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, RIO DE JANEIRO  
TO: Secretary of State, Washington  
DATED: December 8, 1943  
NUMBER: 5633

SECRET

Reference is made herewith to the Department's circular telegram of 10 p.m., December 4, 1943.

It is considered improbable by me that the Government of Brazil would agree to take parallel action or publicly endorse the plan for the following reasons.

1. Under the terms of the existing commercial treaty, the Bank of Brazil's credits with the Banco Central in Argentina amount to \$32,236,000 and of this amount \$20,166,000 is blocked and can only be used for purchasing surplus commodities in Argentina.

2. The country still has a favorable trade balance with Argentina.

3. Brazilian textiles and other products have a very important outlet in Argentina.

However, it is my belief that a close control over the movement of funds for other than commercial transactions will continue to be exercised by the Bank of Brazil.

Favorable publicity will be given here to the announcement of our controls over Argentina funds and approval would probably be expressed privately by the Government.

CAFFERY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, SANTIAGO  
TO: Secretary of State, Washington  
DATED: December 6, 1943  
NUMBER: 2044

SECRET

We refer herewith to the Department's urgent circular cable dated December 4, 1943.

It is not felt by me that Chile would at this time take parallel action with the United States in blocking the Argentine. The following is the basis for my opinion:

(1) The Chilean Government's executive branch undoubtedly lacks legal authority to take such action at the present time and until the controls legislation is enacted.

(2) While probably superficial, the Chilean Government's present attitude is one of economic rapprochement with Argentina, the implementation of the agreement for the study and resolution of the feasibility of a customs union which Foreign Minister Fernandez signed while in Argentina being the latest manifestation although weeks ago the Foreign Minister told me personally that this is a mere gesture to gain time which is borne out by his failure to appoint a Chilean commission for three months and then after an editorial attack by the Buenos Aires paper LA PRENSA.

Furthermore, it is not felt by me that Chile would make a public announcement that it believes that the measures which the United States has under consideration are necessary and justified for hemispheric security. The following are the bases for this believe:

(1) The Chilean Government's attitude has thus far been to studiously avoid any endorsement of the

- 2 -

American Government's economic warfare activities.

(2) No public statement was made by the Chilean Government with respect to the Hull-Storni exchange of notes and little or no editorial comment thereon was made by the Chilean press, with the notable exception of the Communist daily EL SIGLO.

In general it must be kept in mind that in spite of efforts on our part to encourage the Government of Chile to implement the Washington Conference, nothing has been done as yet although the Control Section of the Economic Project which will provide the President with authority to implement the conference may soon become a law. Meanwhile, the Proclaimed List has been quite effective in Chile and through the unofficial Embassy-Chilean Consultative Committee has had a certain amount of support. The operation of a black list has never been protested by the Government of Chile. However, the Government of Chile has continued to purchase from Proclaimed Listed firms and commercial relations with the Axis have never been severed. Past history contains little which would indicate that we will now be publicly supported by the Chilean Government although it must be increasingly aware that other Latin American nations are taking direct action aligning themselves against the Axis.

It is felt by me that our best chance of obtaining the Chilean Government's support would be for me to announce to the Foreign Minister that this action will soon be taken by us and that since the action is designed to hamper the war efforts of the nations with which diplomatic relations have already been severed by Chile, we are glad to afford the Government of Chile through this advance notice an opportunity to consider expressing public approval of our action or taking parallel action or both.

It is only natural that Chile, because of contiguity with Argentina and certain delicate political and commercial relations, would hesitate to take any action which might be interpreted as against her neighbor and consequently likely to be a pretext or a focus for trouble in the future.

BOWERS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, MEXICO CITY  
TO: Secretary of State, Washington  
DATED: December 6, 1943  
NUMBER: 1214

SECRET

The Department's circular telegram of December 4, 1943 is referred to herewith.

The matter has not been discussed with the Mexican Government by me, in accordance with the Department's request. I find it difficult to give an opinion as to whether the Government of Mexico would join with our Government in taking the parallel measures outlined in the telegram from the Department. In view of the very definite attitude which the Mexican Government has assumed with respect to the failure of the Argentine to meet the obligations undertaken in the recent inter-American conferences, I believe that it is probable that it would be prepared to take such parallel action.

In the event that the Mexican Government would not be prepared to take parallel action, I believe that in case we take the action contemplated, it would be prepared to have the Mexican Government issue some authoritative statement expressing its belief that the measures which the Treasury has taken were justified for hemispheric security.

I will be very glad to explore this matter informally with the Foreign Minister should the Department so desire and a more definite answer could then be given.

MESSERSMITH

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: Diplomatic Missions in Mexico, Chile, Brazil,  
Peru and Colombia.  
DATED: December 4, 1943  
NUMBER: Circular

SECRET

The subjecting of Argentine financial transactions to control is being considered by Department and Treasury. For almost two years this Government has been calling the Argentine authorities' attention to the lack of effective implementation on the part of Argentina of the resolutions of the Washington Conference on Systems of Economic and Financial Control and Resolution No. V of the Rio Conference, as you are aware. Operations of benefit to the Axis continue despite these representations. Included in these operations are: some remittances both direct and indirect; very substantial credits and overdrafts to firms and persons within Argentina whose activities are inimical to hemispheric security and defense; and purchases by the Government and other forms of aid given to such firms and persons. This Government has been led to believe from recent measures taken by the Government of Argentina that the implementation in the future may be even less effective and that positive assistance to undesirable elements may be increased by the Argentine Government.

The Treasury, with the Department's concurrence, subjected the Banco de la Provincia de Buenos Aires and Banco de la Nacion Argentina to special ad hoc blocking as a result of an unusual movement of funds which began at the end of October. Since that time it has been admitted by the Government of Argentina that many transactions which were contrary to the Rio and Washington Resolutions have taken place in the past and the Argentine Government has orally stated that once the two banks are unblocked, it is willing to take corrective measures.

- 2 -

The possibility of Argentina taking at this late date any effective measures to implement the Resolutions is not optimistically viewed by the Department in view of Argentina's failure to comply with the commitments which it entered into at Washington and Rio.

Therefore, this Government is considering extending control to all Argentine dollar financial operations. These controls would be applied in such a way as not to interfere with legitimate commercial transactions in this hemisphere. Such controls would by no means eliminate all of the unsatisfactory operations of Argentina mentioned above, but they would make it possible to control those operations carried out through the financial facilities of the United States. It is felt by the Department that it would be desirable for such action to be taken jointly by the several American Republics and not unilaterally by the United States solely. The Department requests that you give us at once your opinion as to whether the country to which you are accredited would join with this Government by taking parallel action or at least by announcing publicly that it believes that the measures which the United States Treasury have taken were necessary and justified for hemispheric security. You are not being requested at this time to discuss the matter with the appropriate local authorities, but the Department further requests your comments on the probable effect of such discussions should it be decided by the Department that you should undertake them soon.

Ambassador Armour is being instructed by the Department to try to obtain a specific statement from the Argentine Government concerning the manner in which it will immediately proceed to implement fully the Resolutions of the Rio and Washington Conferences. This is being done as a last effort to obtain the Argentine Government's collaboration in implementing the undertakings of the American Republics in the financial control field and in view of the assurances which the Argentine Ministers of Foreign Affairs and Finance gave orally.

- 3 -

It is requested that you send your comments immediately by cable. Information concerning the reactions of our Embassies in other countries and developments in Argentina will be sent to you.

Additional information concerning the specific ways in which Argentina has failed to implement its inter-American commitments in the field of financial control will be sent to you by airmail pouch.

HULL

FOREIGN ECONOMIC ADMINISTRATION  
WASHINGTON 25, D. C.

December 13, 1943

Dear Secretary Morgenthau:

You may be interested to know that the financial plan for UNRRA which was worked out by the Treasury has thus far weathered all the storms up on the Hill.

It obviously makes a good deal of sense, both politically and on the merits. All the indications are that the members of the House Foreign Affairs Committee will not find any flaws in it.

Sincerely yours,

*Oscar Cox*

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

DEC 13 1943

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for December.

The inventory of materials in storage as of December 1, 1943 was 338,239 tons or 90,184 tons less than the November 1st inventory. Production scheduled for December shows an increase of 74,476 tons as compared with November.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

WCCleary/kb  
(12-8-43)

cc m mack

FW  
w.c.c.

TREASURY DEPARTMENT - U. S. S. R.  
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING DECEMBER, 1943

<u>COMMODITY</u>	<u>STORAGE</u> <u>DECEMBER 1, 1943</u>	<u>PRODUCTION</u> <u>DURING DECEMBER</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES</u> <u>TO PORT AREAS</u> <u>SPECIFIED TO DATE</u> <u>FOR DECEMBER</u>
AGRICULTURAL MACHINERY AND IMPLEMENTS		96	96	
ALUMINUM	807	13,776	14,583	5,544
BEARINGS	299	702	1,001	336
BRASS AND BRONZE	8,780	36,108	44,888	9,404
CHEMICALS	6,218	3,026	9,243	2,661
CLOTHING AND TEXTILES		58	58	
CONSTRUCTION MACHINERY		1,105	1,105	
COPPER IN VARIOUS FORMS	80,417	9,820	90,237	1,406
FERRO-ALLOYS	649	2,734	3,383	1,098
GRAPHITE PRODUCTS	763	4,948	5,708	
HAND AND CUTTING TOOLS		1,470	1,470	
INDUSTRIAL MACHINERY	96,794	28,019	124,813	13,347*
LEATHER AND LEATHER PRODUCTS		22	22	
NICKEL AND NICKEL PRODUCTS	305	124	429	329
NON-FERROUS METALS, OTHER		92	92	92
PAPER AND PAPER PRODUCTS	2,585	3,371	5,956	382
PLASTICS	3,516		3,516	
RUBBER	3,198	2,074	5,272	1,888
STEEL, ALLOY & SPECIAL	41,036	11,395	52,431	13,618
STEEL, CARBON	58,364	18,824	77,188	11,622
STEEL, PIPE AND TUBING	55,116	5,296	60,412	4,563
STEEL, RAILS	936		936	936
TIN PLATE	8,356	3,992	12,348	1,194
ZINC		1,132	1,132	1,132
<b>TOTAL</b>	<b>336,239</b>	<b>148,187</b>	<b>484,426</b>	<b>69,467</b>

\*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

December 13, 1948

Dear Oscar:

This will acknowledge receipt of your note of December 7th enclosing a copy of Mr. Crowley's letter to the Secretary of State regarding negotiations with India. I appreciate having this information.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Oscar Cox,  
Room 5133,  
Department of Justice,  
Washington, D. C.

FROM THE DESK OF  
OSCAR COX

208

Secretary Morgenthau:

For your information  
and files.

*OSC*  
OSC

Tuesday - 12/7 '43

226

The Honorable,

The Secretary of State.

My dear Mr. Secretary:

In his Twelfth Report to Congress on Lend-Lease Operations, the President reported that during the past summer the United Kingdom had agreed to extend reverse lend-lease aid to include raw materials, commodities, and foodstuffs hitherto purchased for export in the United Kingdom and British Colonies by United States Government agencies. At the same time, he announced that discussions are underway with other governments of the British Commonwealth looking toward similar arrangements.

The total program amounts to between \$200 million and \$300 million per year; but although the negotiations referred to by the President have been in process for some time, arrangements for a program of this scope are far from fruition. The principal reason for this is that little progress has been made in our negotiations with India. As will appear from the list which is attached to this letter, the total Indian program amounts to over \$141 million. We will fall far short of accomplishing our objective unless this program can soon be placed upon a reciprocal aid basis, and especially if this cannot be done with retroactive effect in a manner similar to the manner contemplated for the United Kingdom program. This is clearly apparent from the following figures:

While a definite arrangement is in process of being reached with the United Kingdom Government with respect to commodities originating in the United Kingdom, Southern Rhodesia and the Colonial Empire, the aggregate amount involved in these areas is not expected to exceed \$70 to \$80 million annually.

The New Zealand Government, in its memorandum of October 19, accepted our request, but our programs there are small and are not likely to exceed \$2 millions per year.

The Australian Government, in its aide-memoire of November 5, indicated that it was unable to make a general commitment to supply us raw materials as reverse lend-lease. We have already requested you to ask the Australians to reconsider this position. At the present time our public purchase programs in Australia aggregate about \$25 million per year.

Even assuming that full agreement is reached with respect to all of the above areas, the total involved will be less than \$100 million per annum. The importance of the Indian program is therefore apparent.

It should be noted that included in the total program are commodities in an estimated amount of \$42,500,000 which we purchased from British Government agencies.

We understand that the Indian Government has, from the very beginning, been kept advised of our discussions with the British Government on this subject and this was noted by the State Department in its memorandum of October 6 to the Indian Government where the question of raw material reciprocal aid was formally raised. A reply received from the Indian Government on November 15 indicated that our request of October 6 was receiving sympathetic consideration but that it might not be met in full.

In view of amounts involved, I think we should promptly ascertain whether or not we can expect to receive the aid from India which we have requested. With respect to dollar balance considerations, only the British Government would seem to be concerned since all dollars previously paid under these programs have been acquired from India by the British Treasury in exchange for sterling. Thus, the only question is whether the British or the Indian Government will provide the rupees for future purchases of these materials for revenue lend-lease.

If, as we are led to believe, the delay in acknowledging our request is due to pending discussions between Indian and British authorities as to which Government is to bear the sterling cost of the reciprocal aid program, we think that it should be suggested to the British Government that in order to resolve the question vis-a-vis the United States, the British Government should underwrite the program, leaving to the future the final settlement of its financial arrangements with the Indian Government. E

I should be very glad to have an opportunity to discuss this matter with you or those whom you may designate in your Department as soon as conveniently possible.

Sincerely yours,

Leo T. Crowley  
Administrator

CDenby:rsp  
12/6/43

INDIA - U. S. PUBLIC PURCHASE PROGRAMS

Commodity	Procured from	Est. Value of Expected Deliveries During Fiscal Year July 1, 1943-June 30, 1944		
		From Government Agencies	From Private Sellers	Total
Beryl	Under private contract	-	95,000	95,000
Burlap	"	-	67,500,000	67,500,000
Bristles	Br. Min. Supply	1,300,000	-	1,300,000
Cashew Shell Oil	Spot purchases	-	550,000	550,000
Ferromanganese	Sec. of State for India	900,000	-	900,000
Goatskins	Spot purchases	-	8,800,000	8,800,000
Jute	Under private contract	-	14,300,000	14,300,000
Manganese (ore and conc.)	"	-	1,065,000	1,065,000
Nica	Br. Min. Supply	11,300,000	-	11,300,000
Monazite Sand	Spot purchases	-	55,000	55,000
Scrap Metal	" "	-	265,000	265,000
Shellac	Br. Min. Supply	8,000,000	-	8,000,000
Sugar Bags	Under private contract	-	5,903,000	5,903,000
Sunn Hemp	"	-	270,000	270,000
Talc	"	-	25,000	25,000
Tea	Br. Min. of Food	21,000,000	-	21,000,000
TOTALS		<u>42,500,000</u>	<u>98,828,000</u>	<u>141,328,000</u>

December 1, 1943

# TREASURY DEPARTMENT

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## INTER OFFICE COMMUNICATION

DATE December 13, 1943  
*Finished*

TO Mr. White

FROM S. Gold

Subject: London Economic Conference

### I. Summary

A. The strength of the U. S. position at the London Economic Conference was seriously undermined by two developments:

1. Instead of encountering the expected opportunity for open negotiations with participating nations which the London Conference had been called to provide, the U. S. was confronted by a coalition organized and steered by the Bank for International Settlements, whose primary aim was to coerce a change in U. S. monetary policy.

a. As early as the fall of 1932, the B.I.S. undertook to provide a central structure of policy to guide the work of the proposed World Economic Conference. (See Attachment A)

b. The ramifications of B.I.S. developments may be gauged by the fact that almost all of the experts selected by the European countries to serve at the Conference were men intimately connected with the B.I.S. The composition of the designated staff of experts thus ensured that B.I.S. views would be effectively diffused throughout the Conference. (See Attachment A)

2. The emergence of sharp policy disagreement between U. S. delegates abroad and the President further weakened the effective representation of U. S. interests at the Conference.

a. In the course of negotiations at the London Conference almost everyone in the American delegation, the accompanying banking mission and even Treasury officials in Washington, were persuaded to a position contrary to the President's. Cable Communications between London and Washington indicate that Coley, Sprague, Harrison, Cox, Warburg, Crane, Acheson, Baruch, Douglas, Woodin, and Hull, urged the President of the need to alter his policy to make possible some agreement with the British and the French concerning dollar stabilization. (See Attachment B)

b. It was only because of explicit and sharp instructions from the President that the American delegation in London did not accede to preponderant Conference opinion which demanded an immediate stabilization agreement. (See Attachment B)

c. There is evidence that the discipline customarily observed by members of a mission in a foreign country was violated by unnamed members of the delegation who attempted to thwart Presidential instructions by resorting to unauthorized press interviews in order to express views contrary to official U. S. policy, as a deliberate means of bringing pressure to bear on the President and in an effort to reach business opinion at home. (See Attachment B)

d. It appears that the quasi-independent banking mission headed by Governor Harrison which accompanied the American delegation overstepped authorized limits of discussion. The President found it necessary to remind the banking mission that its activities should be confined to questions centering on banking policy and not involving government commitments. (See Attachment B)

B. Despite the failure to effect any change in U. S. monetary policy at the London Economic Conference continued efforts were made through governmental and extra governmental channels to achieve this objective in the immediate post-Conference months.

1. The B.I.S. whose influence had been so pervasive during the course of the Conference, turned its efforts in the immediate post-Conference months to securing special privileges which would permit the conduct of B.I.S. activities without censorship or restriction of any kind by any government. (See Attachment C)

2. The pressure on the President to stabilize the dollar continued unabating throughout the fall of 1933, seemingly under the leadership of J. P. Warburg. (See Attachment C)

3. A British mission was sent to the U. S. to continue stabilization negotiations.

## ATTACHMENT B - THE AMERICAN DELEGATION

## I. Pro-Stabilization Views of American Delegation and Treasury Officials

A. Governor Harrison

1. On June 13, 1933, Governor Harrison ~~member~~ cabled the Federal Reserve Bank in New York from London that "recent fluctuations in exchange rate seem to us disturbing and undesirable particularly at this time. We believe, therefore, that steps should be taken promptly to check any further advance in the foreign exchange rates against the dollar".

2. On June 16th Harrison again cabled the Federal Reserve Bank of New York reporting that. "We have had almost continuous sessions with the representatives of the Bank of France and the Bank of England. We might be said to have taken the Middle course that is, that— some levelling out of the fluctuation in exchange rates by an agreement to keep them within a specified spread might be undertaken certainly pending the developments of the conference. All through the discussion we have held to the view that it would be most important to attain some measure of stability for the period of the conference".

B. Moley

June 30, 1933. Urgent and Confidential for Woodin and Baruch only from Moley. "My attitude with respect to Sprague message is one upholding general statement by Britain and the U. S. Sprague and I agreed tentatively with British representatives upon a statement to be approved by President and to be made by Great Britain and the U. S. on the one hand and the gold standard countries on the other hand".

C. Cox

June 22, 8 P. M., No. 58, London, from Cox for the President. Deem it desirable, supplementing Warburg's reports, to advise you of two things he did not cover. (First) American action, according to my information, hung like pall over conference. We sought, in our statement, to make clear to delegates from other countries just why you had to act as you did. (Second) it seemed necessary to restore the prestige of our delegation at home. That is the reason why the separated operation of our delegation unit and financial unit was made clear. We were able to win the French over as we were perfectly outspoken with them and permitted them to see statement before it was issued. MacDonald has freely expressed opinion that the worst crisis of the conference has been passed

HULL

D. Hull

June 30, 1933. Hull to Treasury, Federal Reserve Board and Bank of New York. Is there any objection to adoption by the conference of Section 4 of D.I.S. Governor's letter of May 7 ----- as basis of recommendation to central banks for cooperation.----- Avoid making minor changes, if you agree in substance as everyone else has agreed while I have agreed under reservation pending your decision.-----

E. Sprague

June 30, 1933. An unsigned memorandum to the President. "After talking with Moley and Sprague and discussing the proposed joint declaration among ourselves, we feel that the situation in Europe is so delicate, and the further continuance of the Conference so precarious that we should take a sympathetic attitude toward the proposed declaration".

F. Baruch, Harrison, Douglas, Acheson.

1. June 27, 1933. For the President from Acheson. ----- Your message 24 has been discussed with Secretary Woodin, Baruch, Harrison and Douglas today.----- The following gives the views of Baruch, Harrison, Douglas, and Acheson.----- Our present thought ----- is that it would be better to work along the lines of the loose temporary tripartite arrangement with such further arrangements as might be mutually agreed upon and with France and England participating in the arrangement in a way that would hold up the pound and the franc as well as the dollar.----- We all feel that some brake upon speculative developments is necessary to anticipate dangerous reaction.

2. On June 28, memorandum from Acheson as dictated in Governor Harrison's office and approved by Woodin, Douglas and Baruch declared: "We feel therefore that rather than risk the inevitable result of a continued decline in the dollar, as at present, it would be better now to check the decline and maintain some measure of temporary stabilization".

G. Baruch

Excerpt from an unsigned Memorandum dated June 19, 1933. (This is an outline of the memo I prepared this afternoon. It is largely a restatement of the obvious and intended to be merely a background for the President's decision of June 17, with reference to stabilization. B.M.B. is somewhat uncertain as to whether or not he wants to sign it, preferring to adhere to F.D.R.'s cable of June 17 without giving reasons therefor. Later if it is desired, he says he is willing to prepare or to aid in preparing a more extensive precept, in which, while not departing from his agreement that nothing should be done now, he intends pointing out the need of an eventual equilibrium. There are other reasons in his mind having to do with the possible interference with the Conference that he will probably tell you about. However, as you wanted set down in writing the points I brought out this afternoon, here it is.)

## II. Problems Associated with Control of U. S. Delegation

1. On June 15, 1933 the Secretary of the Treasury found it necessary to issue a press release stating that "Various reports from London published today concerning an agreement by American delegates to stabilization in some form have been brought to my attention. Such reports. Any proposal concerning stabilization would have to be submitted to the President and to the Treasury and no suggestion of such a proposal has been received here. The discussions in London in regard to this subject must be exploratory only and any agreement on this subject will be reached in Washington, not elsewhere".
2. On June 27, 1933 in a cable to President Roosevelt, Secretary of State, Hull stated: "I would not be frank if I did not say that it has been impossible to keep some of our Delegates out of the newspapers. Furthermore our efficiency has been impaired by the fact that some are not in full sympathy with all of the instructions".
3. On June 28, the President cabled Secretary Hull that "In view of all circumstances at this time I suggest that special care be taken by delegation and Moley and those close to it to insure no publicity of any kind except through Secretary Hull. Please send this from me to all concerned".
4. On June 19, an unsigned draft of a message instructed an unspecified recipient, that: "We have read Harrison's message of today. We are wholly in the dark regarding the negotiations of the past week leading up to this plan and request that you inform us immediately and fully of its causes and of the points at which it is proposed to stabilize and give us your views of the plans desirability and effect viewed from both the international and our domestic economic situation. We cannot reach any conclusions here without the fullest information".
5. June 28, 9 P.M., for Acheson from Roosevelt. "If Harrison and central banks arrive at a purely temporary Modus Vivendi this would not be a function of governments so long as no government action is implied or referred."
6. July 1, from Roosevelt to Hull, Secretary of the Treasury and Baruch have received Hull's 80 of June 30 and Spragues 79 in regard to suggested joint declaration I must tell you frankly that I believe the greater part of it relates primarily to functions of private banks and not functions of governments. Other parts of declaration relating to broad governmental policies go so far as to erect probable barriers against our own economic fiscal developments—. It would be well to reiterate the fact that England left the gold standard nearly two years ago and only now is seeking stabilization. Also that France did not stabilize for three years or more. If France seeks to break up conference just because we decline to accept her dictum we should take the sound position that economic conference was initiated and called to discuss and agree on permanent solution of world economics and not to discuss domestic economic policy of one nation out of the 66 present. When conference was called its necessity was obvious although problem of stabilization of American dollar was not even in existence.

I. A confidential memorandum to an unnamed recipient from W. Merle Cochran, American Consul in Basel, dated October 6, 1932 suggests the strong impact of B.I.S. policy upon banking opinion in many of the European countries which were to be represented at the Conference and at attendant preliminary discussions.

A. At a meeting on September 19, 1932 the B.I.S. Platform for the London Economic Conference was presented to the Directors of the Bank. These Directors represented the Central Banks of Great Britain, France, Germany, Italy, Belgium, the Netherlands, Switzerland, Sweden and private banking groups in the U. S. The Platform was based on B.I.S. views on world problems presented earlier in the Second Annual Report of the B.I.S., of May, 1942. Cochran states that these views "are of special interest since they were drafted by Fraser". The Platform represented a digest by Fraser of a speech by Trip (Netherlands) in May, 1932 at a meeting of the B.I.S.

B. It was further reported by Cochran that, "while each of the European countries will have its individual political viewpoint on the discussions at London, and while there are known to be differences of opinion among the various experts who will be at Geneva, including those who have served together previously, it is likely to be found that the B.I.S. Platform together with the pronouncements of the B.I.S. —will have the general support of the countries of Western Europe at the coming conferences".

C. Cochran further states that "even though Fraser and Trip will be free agents at the conference they will adhere to these documents, for which they were personally responsible".

II. The B.I.S. Platform, as reported by Cochran, hinged on the following:

A. That the monetary systems of the various countries were interdependent and their domestic monetary policies had necessarily to be international in character; that restoration of world credit structure required governmental action as well as action by central banks.

B. While the above generalizations, unaccompanied as they were by specific details concerning the content of international cooperation, did not sound ominous, this exclusive emphasis on the international aspects of the world crises was ultimately utilized to guide opposition to the domestic recovery program adopted by the new administration in 1933 in this country.

III. B.I.S. connections of Delegates and Experts to the London Economic Conference as described by Cochran.

A. League experts to the Financial Sub-Committee  
Ryti (Finland) and Barnaski (Poland) Central Bank officials "well known to the B.I.S." Musy, Swiss Finance Minister, "has had dealings with the Basel institution".

Division of Monetary  
Research

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B. Belgium

Trancqui, "one of the most widely known B.I.S. directors will be one of the Belgian experts". There is likely to be associated with him at London, if not at Geneva, Paul Van Zeeland of the National Bank of Belgium, whose brother is a resident B.I.S. official. Paul Van Zeeland is an alternate B.I.S. Director".

C. Britain

Sir Walter Layton, editor of the Economist will be one of the two British experts. His colleague, Sir Frederick Lieth Ross of the British Treasury "is constantly in contact with the B.I.S.

D. France

Parmentier and Professor Rist - no connections with B.I.S. cited by Cochran.

E. Germany

Vocke of the Reichsbank who substitutes for Governor Lather on the B.I.S. Board will be one of the German experts, along with Dr. Warmbold the German Minister of Economics.

F. Italy

Beneduce, "the B.I.S. Vice Chairman, who is usually the Italian expert at such gatherings, will serve along with Tassinari".

## ATTACHMENT C - POST - CONFERENCE DEVELOPMENTS.

1. By the fall of 1933, the governments of the United Kingdom, Belgium, Canada, Australia, New Zealand, Union of South Africa, India, France, Germany, Greece, Italy, Japan, Poland, Portugal, Roumania, Czechoslovakia, and Yugoslavia had signed an agreement which provided that, "The Bank (for International Settlements), its property and assets, and also the deposits of other funds entrusted to it, on the territory of, or dependent on the administration of, the Parties shall be immune from any disabilities and from any restrictive measures such as censorship, requisition, seizure or confiscation, in time of peace or war, reprisals, prohibition or restriction of export of gold or currency and other similar interferences, restrictions or prohibitions."
2. On August 29, 1933 an interim monetary report was submitted to the President by his monetary committee recommending "an improved gold standard" and "initiation of conversation with the British—designed to secure—the adoption of a common policy with regard to—currency revaluation".
3. On September 26, 1933 a supplementary monetary report based on a memorandum submitted by Warburg was transmitted to the President recommending that "Irrespective of whether the conversations with the British lead to a satisfactory conclusion or not, the group recommends that the President immediately let it be known that in his judgement further depreciation of the currency would be undesirable and destructive—".
4. In a letter to Secretary Woodin on September 27, 1933 Warburg declared his differences with the monetary committee. Warburg stated that he did not believe that further dollar depreciation would be arrested by negotiations with the British leading to a pound-dollar stabilization agreement "without an early revaluation of the two currencies in terms of gold".
5. On September 28, 1933 Douglas as Director of the Budget transmitted a report to Acheson for the President.. The report declared that "The group unanimously and unqualifiedly recommends that—  
The Treasury Department be immediately instructed to prepare itself for discussions with Great Britain having as their objective the stabilization of the dollar in terms of sterling and looking toward the return of both currencies to some such modernized gold standard as the type suggested in the group's interim report".

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December 13, 1943

Extract from letter received from Mr. Adler

"You have of course seen the long cable I sent today reporting my conversation with Kung on the price he is willing to offer us for CN\$400 million per month. The cable covers the highlights, but there are one or two points worth mentioning I didn't get into the cable. At one stage he suggested that we meet our fapi requirements by flying in desperately needed commercial goods and selling them at the prevailing high prices but after some back and forth he admitted the suggestion was impracticable and asked me not to report it to the Treasury. (Incidentally he mentioned that the Generalissimo was to raise the possibility of commercial goods being flown in under Chinese aegis to the President.) Towards the end of our conversation Kung talked of the difficulties the Chinese Government was experiencing in its relations with some of the Provincial Governors and militarists; thus he could not afford to let the details of the amount of gold being flown in leak out lest he be deluged with requests for gold from these worthies. In this connection you will be interested to learn that the Chinese Government has the gold flown in to Suifu and not to Kunming. Suifu is in Szechuan upriver from Chungking. So far the Chinese Government has had one boatload of gold moved in from Suifu to Chungking, but it is so afraid to trust the guards that it is having the rest flown in from Suifu. No wonder the costs of transporting US\$10 million of gold are US\$2 million according to Kung. He also alluded to the Governor of Yunnan's making hay while the sun shines and attempting to

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recoup himself for his losses in Burma. (I heard an amusing and true story about an R.A.F. plane which landed in Kunming and which had to pay the provincial troops a ransom of 5,000 machine gun bullets before it was allowed to take off.) At Kung's request I have prepared a minute of my conversation with him which he is to initial and confirm this afternoon. I hope to have it ready for enclosure in this letter. N.B. It should be emphasized that in order to understand China's attitude not only in connection with the exchange rate and our disbursements in China but also with reference to other matters involving relations with and requests from the U.S. it is necessary to appreciate that they are hopelessly and genuinely misinformed about the American attitude to China. They feel that as China is very popular in the United States and that as people like the five Senators who visited China have been hollering that China has not received sufficient assistance, they are in a very strong bargaining position and can afford to give us the runaround and in general behave like Oliver Twist. They don't seem to realize that a lot of the hollering about more aid to China comes from politically interested people who are more anxious to embarrass the Administration and to divert our main forces from the European theater than to help China. They ignore the strong current of dissatisfaction existing in the USAAF and the fact that the genuine friends of China have not participated in the recent hullabaloo. Of course, they are in

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for a rough awakening, and of course it is necessary to get tough in this matter of our disbursements. But I think the above will be useful background for the Treasury so that it will know in advance the misconceptions on which China's policy is based.

"There is not much news from here. The Generalissimo is out of the country presumably for a rendezvous with the President. Chen Li-fu is in the doghouse; according to report a load of counterfeit notes was traced to him, and the only alibi he could offer was his wife. I hope the story is true. Li Tse-shen whose marriage to Mrs. Gertrude Rosenberg Stern was recently reported from the United States is a veteran Kuomintang leader who made his fortune by stealing large amounts of antiques from Government museums, smuggling them through the French customs, and having them sold on the European market in palmier days; he is supposed to have been the Generalissimo's agent in Western Europe before the fall of France. Right now according to reliable information ~~he~~ is a powerful behind the scene operator in Chinese -- and particularly T.V. -- financial circles in America. Perhaps the TFR-300 boys might be interested in him. It will not be surprising if his name crops up again in the future.

"Have been pretty busy since my return but nevertheless hope to get a weekly economic out before the week is over. There has been no time to get out a report on gold but shall do my best to get it out fairly soon. Forgot to mention earlier

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that Kung yesterday substantially corroborated my last week's story on the sale of US\$-backed bonds though of course he didn't allude to the graver details. The one correction he introduced was that the Ministry of Finance was holding an amount he did not specify but which he gave me to understand was about US\$30 million for post-war rehabilitation of the finances of certain provinces. He admitted he didn't want this news to get out, as otherwise he'd be plagued with requests from the unfavored provinces for slabs of the bonds.

"Gave Kung a copy of the Minute and Addendum 1 which he confirmed but didn't initial. Am enclosing a copy herewith. I have heard an ingenious reason why China is so adamant on the official rate -- it is that China wishes to be able to credit huge amounts to her Reverse Lend-Lease account. Point 2 in Addendum 1 to my Minute would appear to bear this out."

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

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DATE Dec. 13, 1943

TO Secretary Morgenthau

FROM Mr. White

1. The following is a list of names of people who have expressed views toward Japan fundamentally contrary to the views expressed by Secretary Stimson, in his book Far Eastern Crisis, together with references to appended quotations:

	Appendix
W. G. Abbott Christian Science Monitor	No. I
Fred Biermann Representative from Iowa	No. II
L. M. Black Representative from New York	No. III
William R. Castle, Jr. Under Secretary of State in the Hoover Administration	No. IV
C. C. Dill Senator from Washington	No. V
Hamilton Fish Representative from New York	No. VI
Herbert S. Houston Member of the American Committee of International Chamber of Commerce; Commissioner to Far East for New York's World Fair, 1939; President of the Cosmos Newspaper Syndicate	No. VII No. VIII
William H. King Senator from Utah	No. IX
Gerald F. Nye Senator from North Dakota	No. X

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	Appendix
William C. Rivers Major General U.S.A., retired	No. XI
Henrik Shipstead Senator from Minnesota	No. XII

2. The following is a list of newspapers whose editorial policies on Japan were contrary to Secretary Stimson's policy, together with reference to appended quotations:

	Appendix
Philadelphia Record	Nos. XIII and XVI
New York Daily News	No. XIV
New York American	No. XV
Seattle Daily Times	No. XVII

3. The above lists are, of course, incomplete and, if desired, more names could be obtained.

Appendix No. IW. G. Abbott

November, 1931

"Far from blaming Japan for the trouble in Manchuria, the world would marvel at the patience and endurance of Japan if the truth were known about the situation. The Chinese attempt to repudiate solemn treaty obligations involved in the building of railroads, and their aggression upon Japanese citizens justified strong remedial if not punitive action".

New York Times, November 20, 1931

Appendix No. IIFred Biermann (Representative - Iowa)

May 29, 1936

"Large appropriations here are being used as the excuse for increased appropriations in Japan and then increased appropriations in Japan are used on this floor as the excuse for our increased appropriations, and the record still stands that no one has come onto the floor of the House and attempted to defend these appropriations from the standpoint of defense. We all talk about appropriations for defense, but on the basis of defense they cannot be defended or excused. There is no second lieutenant in the Army and there is no ensign in the Navy who will sign his name to a statement proposing any manner by which this country can be successfully invaded".

Congressional Record, May 29, 1936

Appendix No. IIIL. M. Black (Representative - New York)

February, 1932

"It should be quite evident that the League of Nations will take no aggressive step in the Far East and the Stimson blustering will go for naught unless he plunges us into a war . . .

"It may be true that the force of economic events has caused the Japanese onrush. That can be put before a conference of the nine powers and they may be able to ease the Japanese pressure. Let Stimson calm down and try by conference to arrange an adjustment satisfactory to China and Japan. Let us lead in peace and not in war".

~~U.S.~~ Congressional Record, February 26, 1932, p. 4818.

Appendix No. IV

William R. Castle, Jr. (Under Secretary of State) January, 1932

"He (Mr. Castle) said it was the feeling in Washington that people may be blaming Japan more than they should, since, after all, she has enormous investments in Manchuria and has done much to develop the country".

New York Times, January 5, 1932.

William R. Castle, Jr.

April, 1933

"Had this country and the League of Nations, when the Sino-Japanese troubles began, 'been willing to force China to agree to direct conversations' with Japan, an era of good-will beneficial to both Far Eastern countries might well have begun, according to William R. Castle, Jr., Under Secretary of State in the Hoover Administration.

"Addressing the American Academy of Political and Social Science on 'Recent American Policy in the Far East' Mr. Castle declared tonight that this government's 'moderation' in the face of criticism from many quarters for not taking at the outset a strong stand against Japan was 'justified'.

"A belligerent attitude, he contended, 'would have created a bitterness which might have led to disastrous consequences . . .

"Saying that we failed to understand the National psychology of either Japan or China, Mr. Castle pointed out that we and the League 'accepted unquestionably the Chinese point of view, a correct point of view only if it is possible to isolate a minute of time from the centuries that have gone before and the centuries which must follow.'

" 'At the moment,' he continued, 'Japan was undoubtedly the aggressor and as such to be condemned.'

" 'But as we look back on it now we can see that in all probability those were right who said that China should be forced to hold conversations with Japan immediately. What Japan ought to be willing to accept now, but probably will not accept, it would gladly have accepted then' ".

New York Times, April 8, 1933

Appendix No. VC. C. Dill (Senator - Washington)

January, 1934

Senator Dill submitted for printing into the Congressional Record the following article:

'War between the United States and Japan is possible, but exceedingly improbable. Why should the little empire of Asia, 5,000 miles away, seek to attack us, one of the largest, strongest nations on earth, whose wealth exceeds her own ten-fold?

'It is perfectly true the Japanese have real cause for sullenness and distrust toward America. Our action in frustrating Japan's program of seizing eastern Siberia after the world war to establish a buffer state against Russia is fresh in the minds of present-day Japanese. This culminated in a sharp demand upon the Japanese Government by our Secretary of State to withdraw many of her troops from Siberia and was followed by a more threatening attitude in 1920 and 1921, when, at the demand of the United States, Japan entirely gave up her Siberian campaign . . .

'And more recently, Japan felt resentment when the United States joined with the League of Nations in condemning her Manchurian campaign . . .

'Japan as a snarling menace to our national security, ready to pounce upon us with bared fangs? Ridiculous. Let us use our good, old, common, American horsesense. Suppose that, instead of fostering suspicion and hatred of Japan, we bend our intelligent efforts to cultivating her good will and cooperation'.

Readers' Digest, December, 1933, Japanophobia, (condensed from the Forum by Ray Mathew Frisen).

Appendix No. VIHamilton Fish (Representative - New York)

February 24, 1932

"Therefore I hope the President of the United States and the Congress will make it known that we do not propose in any way to go along with the League of Nations to establish a boycott of Japan, because if there is any trouble the first thing that would happen American soldiers would be called upon to do the fighting if there is any fighting to be done ...

"So I say to you there is far too much thought and talk and alarm of war in the United States at the present time. There is no cause whatever for us to go to war with Japan. There is nothing we want from Japan. There is nothing we can get from Japan ...

"We should stop sending notes every time Japan takes a little Manchurian city. We should use our good offices to bring about peace in China and peace in the world without acting in conjunction with the League of Nations or by going into some form of boycott which leads inevitably to war".

Congressional Record, February 24, 1932, p. 4654

Appendix No. VIIHerbert S. Houston

November, 1931

A business man's view of the Sino-Japanese controversy was given to 300 members of the New York Advertising Club by Herbert S. Houston, just returned from the Orient as a member of the American Committee of the International Chamber of Commerce.

He said: "Japan is loath to submit a vital interest in arbitration, just as France would be on the question of her security, or as we would be on the Monroe Doctrine, but that doesn't mean that Japan wants war. It means instead that Japan wants peace in the only way she believes it can be had, by direct negotiation with China".

New York Times, November 5, 1931.

Appendix No. VIIIHerbert S. Houston

February, 1932

"China is incapable of self-government and should be placed under international control until she learns to rule herself in peace, free from the domination of war lords who have divided the country, Herbert S. Houston, a member of the American Committee of the International Chamber of Commerce, declared yesterday before the Woman's Forum at the Hotel Roosevelt . . . He said the conflict at Shanghai was not quite as serious as it was believed to be here and that the war threat had been exaggerated".

New York Times, February 20, 1932.

Appendix No. IXWilliam H. King (Senator - Utah)

May 7, 1936

"I am sorry to disturb the Senator in the excellent presentation which he is making; but ... an official of the Japanese Government ... interrogated a member of the (Japanese) cabinet as to the reasons for such large naval appropriations being requested by the Japanese Government. In response to the interrogation, the official of the Government stated that 'the United States has increased its appropriations and we must take cognizance of the activities of the great power on the other side of the Pacific Ocean'.

"So, our increase in appropriations undoubtedly led Japan to demand larger appropriations. Our course caused fear on their part and precipitated their action".

Congressional Record, May 7, 1936. Discussions on Naval Appropriations in Senate, p. 6803.

Appendix No. XGerald P. Nye (Senator - North Dakota)

May 7, 1936

"It is not at all surprising, in light of our own steps respecting this armament race, that able men, unprejudiced men, should be standing at their places wondering what it is all about. I have great regard, as has every member of the Senate, I believe, for Major General William C. Rivers, now retired. A letter from him addressed to me and dated the first day of this month appeals as being most significant. I read from his letter:

'It is not possible to see what the Navy (and also the Army) authorities are driving at - unless they propose to force Japan to submission by our superior resources; i.e., to build and to mobilize, as it were, with the idea that Japan, with less gold and other funds, will cry out for mercy.

'That is a strong supposition of mine, but what else can they have in mind when building up such great armed forces? No proud people were ever yet subjugated by any such means. In fact, it is our excellent way to drive a proud people to a desperation - or madness - that can make but war.'

"I think in those two well-written paragraphs Major General Rivers thoroughly sums up the threat that seems to be involved.

"Japan and the United States today are engaged in a wild, mad armament race, when I think there is pretty general conviction that if Japan's Navy were 20 times as large as it is, and we had only what we have, in this day of modern warfare and plans for national defense the Japanese Navy could not get within hundreds of miles of our shores.

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"I hold no brief for the element which has dominated in Japan for so long, namely, the military; and yet, if one will but take pains to ascertain the facts, he will quickly discover that the people of Japan as a mass have little or no sympathy with the Japanese military.

"It was my privilege last fall to spend a number of days in Japan. It was my privilege during that time to enjoy contact with some 15 or 20 very representative Japanese ... men who then declared that the Japanese military had led in a direction and had gone to an extreme where the people of Japan could not carry the burden any longer ... and that (they said) the military dominance in Japan would have died of its own weight long ago except for the fact that at least once a year the United States gives the Japanese military some ground or other upon which to stand when they say 'We have to be better prepared for the trouble that the United States is getting ready to make for us'."

Congressional Record, May 7, 1936. Discussions on Naval Appropriations in Senate, p. 6801-6802.

Appendix No. XI

Wm. C. Rivers (Major General U.S.A.-retired)      October 2, 1937

"My own view differs from that of many who feel that Japanese control of China will fix Japan as the dominant power in Eastern Asia. A greatly improved China - free from communization by Soviet Russia and with law and order and free from the chaos and the starvation of millions of the Chinese which has accompanied the rule of the war lords for a quarter of a century - with better trade in China for all nations - will eject the Japanese from China within a reasonable period of time".

New York Times, October 8, 1937, Letters to the editor.

William C. Rivers

December, 1935

"There is no evidence that Japan plans to destroy the Republic of the Philippines after the ten-year period [during which the United States is responsible for the defense of the Philippines, according to Rivers]. The airplane has placed the Russians again on the verge of Japan's Northern borders. The generation of warfare and turmoil in China, so near to Japan, has caused untold suffering and damage to the Chinese and anxiety to Japan."

New York Times, December 22, 1935, Letter to the Editor

William C. Rivers

February, 1936

"There are matters in Japan and in America that irritate the people and the press of the two countries. Why should not all such matters be talked about between the two nations - without the assistance of any third party [Britain] To talk of such matters as the recognition of Manchukuo and the Independence of the Philippines and so on would be wise. Historically, Japan and America should be friends. Strategically and commercially, there are many good reasons why the two principal Pacific Powers should be 'Good Neighbors' ".

New York Times, February 16, 1936, Letter to the Editor dated February 12, 1936.

William C. Rivers

June, 1936

"Brief study of a globe - not a map - will show that Japan lies squarely between the United States and the Philippines on the direct and short steamer route - Seattle - Japan - Manila. Japan is just midway between the Aleutians and Manila. This relative position of the three countries is a fact of transcendental importance. There has never been a war between two major nations so far apart as the distance from Tokyo to our capital - 7,500 miles, or from our West Coast to Manila - 6,000 miles . . . We should recognize Japan's position in Manchukuo and in China.

"We assert a desire to aid the Philippines and China. This can be done only by peace in the Orient through the employment of constructive statesmanship and the frank recognition of existing conditions."

New York Times, June 7, 1936, Letter to the Editor dated June 2, 1936.

William C. Rivers

August, 1936

"Japan is the only nation that is in a position to aid China - to stabilize the country, and give it the advantages of good government, of roads and railways, schools, modern medicine and other improvements."

New York Times, August 23, 1936, Letter to the Editor dated August 18, 1936.

William C. Rivers

December, 1936

"The general tenor of your four recent editorials about Japan is critical of Japanese action in Manchuria and North China . . .

"I fear . . . that you have failed sufficiently to consider all the strategic aspects of the situation that have changed so greatly during very recent years. The actions of Japan have been based not on despair but on serious apprehension about Japan's future safety.

". . . consider . . . the effects of the fast air bombers and the new submarines on the security of Japan . . . Japan's tragedy is her sudden loss of the strategic benefits of her wars with Russia in 1904-05.

"Japan drove Russia back to what was a safe distance. Now a much more powerful Russia menaces Japan from Vladivostok on the North and from Outer Mongolia at the Southwest . . . The strategic defense needs of Japan are partly met by Manchuria . . .

"Japan must, therefore, push westward in North China . . . The chaos, wholesale suffering, ruin and mass starvation in China for a generation must be the measure of the conduct and the character and the capacity of the present Chinese rulers. Japan's general control in North China will aid the Chinese . . .

"I have long favored our own recognition of Manchukuo . . . I favor recognizing Japan's position in North China and securing Japan's interest in the success and independence of the Philippine State that will come into existence in ten years".

New York Times, December 6, 1936, Letter to the Editor dated December 1, 1936.

Appendix No. XIIHenrik Shipstead (Senator - Minnesota)

May 7, 1936

"I have been very much interested in trying to find out if any reasonable man can explain under what circumstance we can ever have any trouble with Japan. I cannot see any reason why there should be any fear of trouble with Japan. I have never met anyone who could explain to me why there should be any such fear".

"Mr. Nye ... There are other people in the United States who are equally insistent that one morning we shall awaken to the discovery that the Japanese have seized the Philippine Islands . . ."

"Mr. Shipstead . . . I do not think there is any ground for suspicion that Japan would take the Philippines".

Congressional Record, May 7, 1936. Discussions on Naval Appropriations in Senate, p. 6803.

Appendix No. XIIIPhiladelphia Record

February 23, 1932

Commenting on Secretary Stimson's statement to Borah of February 23, 1932, "it (the letter) served notice on Japan, in strong diplomatic language, that the Administration is prepared to drag the American people even into war. We don't want war".

Editor: J. Davis Stern

Appendix No. XIVNew York Daily News

August 10, 1932

"(Mr. Stimson) is the most dangerous man in the Hoover Government. He doesn't like war. Therefore, Mr. Stimson insists on telling others they shall not fight and by so doing he is dragging us ever closer to the day when some fighting cock of a nation will knock the pacifist chip off our shoulder and say 'well, so what?'

"Mr. Stimson has picked on the twentieth century's prize fighting cock - Japan."

Editor: James M. Patterson

Appendix No. XVNew York American

August 15, 1932

Commenting on Stimson's non-recognition doctrine, "One of Benjamin Franklin's mottoes was, 'say nothing unless it's useful'. It is hard to discover anything useful - in design or result, in purpose or effect - in the latest utterance of Secretary of State Stimson".

Editor: Hearst

Appendix No. XVIPhiladelphia Record

February 26, 1934

"Manchukuo exists. It may exist by the grace of Japan, but it is a country and it has a government. If Japanese influence is dominant in Manchukuo, what of United States influence in Cuba? . . . We're in no position to question the political morality of other governments. Nor is that question pertinent to recognition. The Stimson policy was one of unmitigated meddling. The sooner Secretary Hull ditches it, the better for our foreign relations".

Editor: J. Davis Stern

Appendix No. XVIISeattle Daily Times

April 20, 1934

"Unless the rest of the world wishes to promote more bloodshed in the Orient, the attitude of Japan on this point will command some respect. Peace in those troubled lands seems best assured in Japan's vigilance".

Editor: C. B. Blethen

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET  
U.S. SECRETOPTEL No. 406

Information received up to 10 A.M., 13th December, 1943.

1. NAVAL

On the 11th One of H.M. Frigates escorting an eastward convoy was torpedoed by a U-boat, but reached ALGIERS in tow. On 12th One of H.M. Destroyers also escorting the convoy was torpedoed and sunk off BOUGIE. During the subsequent hunt another of H.M. Destroyers was torpedoed and sunk in the same vicinity. Survivors from the first destroyer number about 80, including the Captain. Those from the latter Destroyer are not yet known.

2. MILITARY

ITALY. During 12th despite very bad weather and continued strong resistance the 8th Army made some progress and considerably broadened the MOKO bridgehead. All enemy counter-attacks were successfully beaten off with further enemy losses. No change on 5th Army front.

3. AIR OPERATIONS

WESTERN FRONT. 12th/13th. Aircraft despatched - ESSEN, DUSSELDORF and OENABRUNK, total of 30 Mosquitoes. 1 missing from ESSEN. Leaflets 4 Wellingtons.

ITALY. 11th. 315 Fighter and Fighter Bomber sorties were flown against enemy communications in the Western sector of the battle area.

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