

TO:

181-D

The Secy -

This is draft
of letter to Mr. Hull.
In view of your telephone
conversation with
Stimson I believe
this should be
held up for the
time being at least.

JWB

Office of the Under Secretary 6/7

TO

~~Mr. W. Bell~~

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This is what
the Sec. wanted,
but I don't think
the facts justify
the tone.

I would prefer merely
outlining the facts &
saying "now that Aldrich
has entered the picture let's
get together, that's what the
Pres. wants".

FROM: MR. O'CONNELL

will not do

D R A F T

file

June 7, 1944

Dear Cordell:

I am quite disturbed over the events which have occurred in the last few days concerning the proposed loan by the United States to the Dutch Government. Under date of May 2 I telegraphed the President regarding this matter, advising him that I thought it was unwise at this time to make a Government loan to the Dutch Government for the reason, among others, that the Dutch Government should have no difficulty in borrowing from the private investment market at reasonable rates of interest.

He replied under date of May 3 that he did not believe that the granting of a loan to Holland on good security in this country would establish an undesirable precedent, but added that "I should like to have us both give further consideration to the matter presented in your message and also talk with State."

Under date of May 26 you wrote the President a letter in which you said that the proposed credit would be desirable, and I understand from your letter

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of June 2, 1944, that the President has indicated his approval of your letter of May 26. The Treasury received your letter of June 2 on the morning of June 6.

has not I have been informed that Winthrop Aldrich conferred with you on Friday of last week, the same date as your letter advising me of the President's approval concerning a commercial loan to the Dutch Government. I am also informed that you advised Mr. Aldrich that this was a matter which he would have to discuss with the Treasury and suggested that he come over here and confer with us. This he did on Monday, June 5, at which time we told him that we would give sympathetic consideration to the approval of a commercial loan by a syndicate of American banks to the Dutch Government and that Mr. Aldrich was free to work out the proposal with ^{the Dutch} (~~this~~) Government, after which he should confer with us further on the matter.

I am sure you can understand why your letter, which was received the following day, was a shock to me.

As I indicated before, I am opposed to the use of the taxpayers' money to make loans to any foreign govern-

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ment that can secure the funds it needs in the commercial market. I hope the State Department does not differ with me on this point.

I feel strongly that it is high time we set up a procedure for the handling of applications of this type. There will undoubtedly be others. In view of the fact that requests for loans are matters which are financial in character, the handling of such applications should, it seems to me, head up in the Treasury. We have a further interest in the matter in that no such transaction can be put through without a license under the Trading with the Enemy Act. I appreciate that most of these proposals will be somewhat political in character and of course you should be consulted on that phase before any commitment is made. *have political aspects as well*

I shall be glad to discuss this with you if you so desire, or go with you to discuss it with the President.

Sincerely yours,

The Honorable

The Secretary of State.

June 7, 1944
9:41 a.m.

Robert
Kintner: Yes, Mr. Secretary, Bob Kintner.

HMJr: How are you?

K: I'm pretty good, thank you. And you, sir?

HMJr: They tell me you've been home. I hope it's not serious.

K: No, I've been out at Walter Reed with some ear trouble.

HMJr: Oh. Do you feel a little ambitious?

K: Well, I don't know. What is it?

HMJr: I'll put it up to you. I've got the Wall Street Journal in front of me this morning. See?

K: Yeah.

HMJr: And the left-hand column -- I don't know whether they call that column number one in the newspaper business....

K: Yeah.

HMJr:it says, "Invasion, in part, marks the beginning of the end of the war economy. Arms orders to be geared to drive progress, shrinking with Allied victories." And then on the right-hand extreme column, "Baruch and Hancock resign, protest delay in conversion". In other words, the war is over. See?

K: Yeah. Uh huh.

HMJr: What?

K: Yeah, I see what the impression is.

HMJr: Now, I'm starting out early Friday morning to make some speeches. I'd like to do some good on the home front.

K: Yeah.

HMJr: I'd like to let the people know that the war is just starting.

K: Yeah.

HMJr: And I'd like to know what you could do on your typewriter with some ideas.

K: Well, I'd be glad to, Mr. Secretary. I'd have to -- I can't go to the office. I'd have to do it at home out of my head, because I'm in what they call "quarters".

HMJr: Well, there never was anything the matter with your head.

K: (Laughs) I'll be glad to try to turn out some ideas because I'm home just waiting for Walter Reed to take some more action.

HMJr: Well....

K: My ear drum

HMJr:what I want is your feelings on the matter.

K: Yeah.

HMJr: I don't want a lot of statistics. We've got plenty of statistics.

K: Well, I'll be glad to do that.

HMJr: See what you can do and when you're ready call up my office and we'll send a messenger up for it.

K: Okay. Fine.

HMJr: Would you like to do it?

K: Yeah. Sure, I'd love to, if I can do it purely personally, of course.

HMJr: I understand.

K: I'm always scared of the Army.

HMJr: What?

K: I'm always scared of the Army.

HMJr: Of the Army?

K: Yeah.

HMJr: Well, I'm not but

K: (Laughs)

HMJr:anyway....

K: You're Secretary of the Treasury and I'm a Lieutenant Colonel, so

HMJr: Well, you see

K: I'll be delighted to do it this afternoon and if I can -- certainly have some by tomorrow noon. Would that be in time?

HMJr: Well, tomorrow noon would be dead-line.

K: Well, how about tomorrow morning?

HMJr: Well, any time up 'till tomorrow noon.

K: Okay. I'll see what I can do.

HMJr: That will be wonderful.

K: I'll be glad to do it.

HMJr: My regards to your wife.

K: I certainly will carry them to her.

HMJr: Thank you.

K: Fine.

June 7, 1944
9:59 a.m.

Eugene
Duffield: Yes, Mr. Secretary.

HMJr: How are you?

D: Very well.

HMJr: Gene, I don't know whether you ever heard of a paper called Wall Street Journal.

D: I think I did.

HMJr: Well, I've got it on my desk.

D: Yeah.

HMJr: And in the left-hand corner -- I don't -- number one column -- is that what you call it?

D: I guess.

HMJr: It says, "Invasion marks the beginning of the end of war economy".

D: I saw that myself this morning.

HMJr: And then on the right-hand page it says, "Baruch and Hancock are going to resign against -- protest at delay in conversion."

D: Yeah.

HMJr: Now, I'm starting out tomorrow night to make some War Bond speeches.

D: Yeah.

HMJr: On the home front.

D: Yeah.

HMJr: And I'd like to know -- I'd like to get some inspiration as to why the Navy still thinks there's a war on.

D: (Laughs) Yeah.

HMJr: Now, do you suppose that you could be spared long enough to sit down and type out a few ideas for me?

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D: Ah-h-h -- you're going to do it when? Now, when are you leaving?

HMJr: The dead-line is -- is tomorrow night.

D: Oh, yeah, between now and then, I can, I'm sure.

HMJr: Can you?

D: You bet.

HMJr: What?

D: You bet. You bet.

HMJr: I mean, why the Navy still thinks there's a war on and why you still want people to work.

D: You bet.

HMJr: At home.

D: You bet. I know.

HMJr: See?

D: I know. Yeah. I know. Sure, we can do that for you. I'll do it.

HMJr: Will you?

D: You bet.

HMJr: Right. I mean, to answer this kind of thing in this great paper, the Wall Street Journal.

D: Yeah, I saw that this morning myself. I'm -- I agree.

HMJr: And George Haas says you people were very helpful and

D: Well

HMJr: I should say, "Thank you".

D: Okay. I hope we were.

HMJr: Right.

D: Good bye.

HMJr: Bye.

June 7, 1944
10:05 a.m.

DEBATE ON SUBSIDIES

Present: Mr. Vinson
Mr. Jones
Mr. Pearson
Mr. Myers
Mr. Haas

H.M.JR: I had this memorandum from the President which asked me whether I could see our good friend Bill Myers about these bulletins we have had coming out of Cornell on the inflationary activities of this Administration.

I am simply providing the battleground. I got in touch with Judge Jones and Judge Vinson and they agreed that they would like to have a talk.

MR. JONES: Isn't Judge Vinson going to be present?

H.M.JR: Yes, he is the one that gives me my orders, so I had better have him here. I might make some admissions that you wouldn't appreciate, you know.

Bill and I used to take orders from you in '33.

MR. MYERS: Sure.

MR. JONES: Look what I got you into!

H.M.JR: I remember the summer of '32 when we drafted the bill, with his help.

MR. MYERS: Thirty-three - the Election didn't come until November.

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H.M.JR: That is right.

MR. JONES: The first time I ever saw you was when you came up to that meeting we had in the Committee Room up there, the latter part of November or early December.

MR. MYERS: In your office on Sunday morning.

MR. JONES: Before that - I don't know whether you were along or not when five or six came from Warm Springs up there, do you remember?

H.M.JR: All I know, they had Rex Tugwell there to watch Bill and me.

MR. JONES: That is the time.

H.M.JR: And to report back.

MR. JONES: I didn't take down what you fellows said. I wish I had had a stenographer there.

H.M.JR: Do you mind?

MR. JONES: No, it doesn't bother me.

MR. MYERS: Then we went into the meeting of farm organizations the next day to discuss agricultural legislation, including what became of Triple A, and Farm Credit. That is where we left the other bunch and went into Farm Credit.

H.M.JR: I still think that the gentleman from--

MR. MYERS: Wilson.

H.M.JR: ...had a good idea. He wanted us to buy up the land or lease it and put it into grass.

MR. MYERS: We did buy some of that poor land.

MR. HAAS: You paid for it, but didn't buy it.

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H.M.JR: That is right. We used to figure out how much it would cost to lease four million acres.

(Judge Vinson enters the conference)

H.M.JR: You have seen this memo from the President, haven't you? (Refers to letter of May 23 from the President)

MR. VINSON: Yes, I saw it.

H.M.JR: I just made my little speech - I am just providing the battleground.

MR. VINSON: We have enough battles. This invasion over here - we don't want any battles, do we Marvin?

MR. JONES: We don't want any more than are necessary. We have to find an occasional battle. Sometimes a little exercise makes us strong, you know. I don't mind a little fuss, occasionally, if it is in good humor. I don't like to see a fellow get mad.

H.M.JR: Won't you take over, Judge Vinson, seriously?

MR. VINSON: I will be very glad to.

I don't know that there is anything that all of us don't know. We are just down here fighting the best we can to try to keep the economy on the home front stable, and subsidies have been one of the main weapons that we have been using, and it sort of hit us with a jolt to get clipped with this document. It is a pretty strong statement when you say that subsidies are no protection against inflation, that, in fact, subsidies are inflationary, and so forth. And we are hoping that we can get help rather than hurt. That is about the sum and substance of the reason for getting together.

We thought that the subsidy battle had been somewhat completed. We had a fight last June; we had a fight last December; we had a fight, as I recall it, continuing up until February. And this certainly has been personal to us.

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What we want, of course, instead of division on the home front, we ought to have as united a front as we can get.

MR. MYERS: I knew the general purpose of this meeting, but I wasn't informed as to just what was involved. We are all looking for the right way to do things, and when we see some weaknesses in policies that are either in contemplation or being carried out, it doesn't seem in any sense unfriendly to attempt to point them out. And that statement, taken as a whole, I think, is sound.

MR. VINSON: I am sure you think that you thought it was, or you wouldn't have signed it.

MR. MYERS: You are referring to the February issue, aren't you?

MR. PEARSON: I have a copy.

MR. VINSON: Yes, Farm Economics, February, 1944. (Reading) "Subsidies are no protection against inflation. In fact subsidies are inflationary. They increase the purchasing power of consumers, which is anti-social in times of war. If the increased purchasing power is spent, it causes immediate inflation through rising prices and, if not spent, it will probably cause postponed inflation through the so-called inflationary gap."

MR. MYERS: (Reading from same Bulletin) "In addition subsidies add to the government's fiscal expenditures which is also anti-social in times of war. The problem is to keep down the government's non-war expenditures and to reduce civilian purchasing power to the bone. Food subsidies, therefore, are not a war measure as some contend. They are just as much a political measure now as they were in the early thirties.

"Subsidies and taxes are as opposite as the poles in their effect on inflation. Taxes reduce the purchasing power of consumers and transfer that purchasing power to

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the government. Subsidies increase the purchasing power of the consumer and decrease the purchasing power of the government. Shifting purchasing power to civilians from the government results in immediate or delayed inflation which is ultimately a tax on consumers. The bigger the wartime subsidies, the greater the inflationary force. Ultimately, despite rigid controls, inflation will operate as a tax to partially offset maladjustments created by mounting subsidies. Wartime inflation is a flat tax and is no respecter of persons."

MR. HAAS: Isn't the point, Judge Vinson, that if we didn't use subsidies, you would have no basis for stabilizing your wage spiral?

MR. VINSON: That is the fundamental, basic, and only reason that I know of, why we have insisted upon subsidies.

Now, as far as the inflationary - between taxes and subsidies, as far as syphoning off purchasing power, of course taxes rank one. This was written February, 1944. We were trying to get more taxes.

The Secretary here, and I can speak for myself - we went to the mat for more taxes, but if you hadn't had subsidies the cost of living, directly, would have increased several percent. I have seen different figures, but there would have been an indirect effect that would have caused even a greater increase. I have seen the figure where it is as high as seven points in the cost of living index. I can say to you that the pressure on the wage front is tremendously severe, and the weapon that they have been using against us is the living cost.

Last June, a year ago, when we had the roll-backs on meat and butter, why we got some surcease that never was discontinued. When the cost of vegetables went up during the summer, which was rather unusual, because of the season, why the tax was renewed. And I just think that subsidies have been one of the most important factors in the stabilization program.

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MR. MYERS: It seems to me that primarily, from the angle of the food problem, but also considering the general welfare, that the roll-back on meat and butter was an unfortunate policy; that it made products cheaper to consumers - products that were already scarce - and made rationing more difficult. It tended to discourage production of those things which we needed the most.

At the same time it had the undesirable physical effect of increasing general expenditures and of increasing consumer purchasing.

MR. VINSON: But you don't even mention - I know that you have thought about it aside from your statement - but in your statement you don't even mention the effect of increased prices on the wage problem, and if wages go up, why then prices go up, and then wages go up, and prices go up, and you are off to the races.

There is nobody that wants to spend Federal dollars just for the pleasure of spending Federal dollars, but I am just as certain as I am living that the subsidy program has been a very, very material factor in the stabilization program, in the cost of living. I haven't the slightest doubt about that. If I don't know that, I just don't know anything.

MR. JONES: Well, it seems to me that we are in an entirely different position now than at the time we started. There might have been some debatable basis at the beginning of the thing, as to where to start from, but having put our hand to the plow and gone half way across the field, I don't think there is any very good way to turn back.

I rather think that somewhere a price line had to be drawn; maybe it wasn't drawn just the way it should have been, but it was drawn the best the fellows knew, that were in control at that time. It doesn't seem to me that at this time it is particularly important whether it was drawn at the exact place, unless with all the

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purchasing power, and with our inability to get the essential taxes - and I think every thinking person would agree there should be increased taxes, but everyone who is familiar with the public affairs knows the limitations on our ability to do that - so with that free purchasing power, somewhere along the line there had to be a price line on wages as well as on other things. Now, having established it, you have to hold it somewhere, or have a formula for its maintenance.

I think with the tremendous number of farm commodities that are essential to the carrying on of the war, it was impossible to hope to get that line drawn exactly right. There are so many uncertain elements in the makeup, uncertain elements in the productive cost, the weather conditions, the labor, the machinery, the labor price, the demand, the shifting needs abroad. We have found in trying to help estimate the needs of any particular commodity, that the shifting scenes of war cause a great change in the demand of the commodity. So we find ourselves guessing wrong, sometimes - estimating wrong - whatever you want to term it - and we find some things on our hands that we didn't expect.

Sometimes the farmers responded a little more quickly or a little more liberally than we expected, or nature favored us, and we get extra amounts on hand. Now, there are elements on those costs, especially in the added production, that you can't quite figure.

For instance, a man who is accustomed to planting fifty acres of a particular crop - maybe his family, his help, the machinery that he has, is geared to that fifty-acre production. With all-out effort he increases that to seventy-five acres; that extra twenty-five acres is all extra cost - hired labor, extra machinery--

MR. MYERS: Assuming he was up to capacity before.

MR. JONES: And in some instances, he wasn't. But there is that shaded element in it, you will concede.

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Now, if you want to establish a price line, it seems to me that selective subsidies do take care of that situation, takes care of that added cost, or that cost that can't be accounted at the beginning of the war, and it may vary from year to year. If you go tinkering with the price line, it is just like boring a hole in the dam; you lose control. But if, with the judicious, intelligent use of subsidies, you can hold that line, it seems to me that regardless of the merit of any particular subsidy, having established the price line, there isn't any sound way but to use the subsidy.

MR. VINSON: And the price line was established; Congress established the price line as of September 15, 1942; and then the President came along on April 8 with his hold the line order, which was a clarion call to the country. And if inflation doesn't come it will be because of his appeal to Congress that resulted in the Act of October 2, 1942 and the hold the line order.

Now, those things happened before I got here. I say frankly to you, I was once upon a time a lawyer, and I was a member of Congress, and for a time was a judge, and I respect the law, and I respect the acts of Congress and the Executive Orders which implemented the acts of Congress. And that hold the line order said hold the line..

Now, I felt, and still feel, that we should use all the tools that are provided. Subsidies were provided; subsidies were authorized. And you take your relationship in prices; if you have one price going up in one form of commodity, by golly, it can throw the production out in other commodities.

MR. JONES: It seems to me it is relatively unimportant who is responsible. It had to be done, and somebody had to be responsible. You have recited correctly the way it was done, and I think it is well that you did. And yet, whoever is responsible, whether it is thoroughly understood, or whether it is interpreted thoroughly, we have passed that one-way street, or one-way shift, or

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whatever you term it. We are way up here at the point now - we are far along in the movement, and you can't shift the tide of battle and go back to the beginning and start over again.

I don't know whether I understood the purpose or not - this is just to frankly talk this over and see if in some way we couldn't recognize that whatever might have been the merits or demerits of the argument at the beginning, that from here out, we have gotten so far along with the war, and it is going so good, and the gearing is all set, and the machinery all in motion, that whatever might have been the case back there - and every thinking person must admit that there is argument on both sides of this thing - you can think you have exhausted the argument, and somebody brings up a new question - we have found that, Fred, many times. But whatever may have been the relevant merits, or however wise the setting, and whoever is responsible for it and figured it out, it was a difficult thing to do, and nobody, probably, could have done it perfectly.

But we have gotten so far along, and everything is going so good, that I think we had just as well fight it out along this line and finish up now. Whatever the merits may be in some phases of this discussion, or might have been at one time, I don't think it applies now.

I don't think you can quit this thing right in the middle and say we are going to stop the whole works now and go back to the beginning and start all over again, while the whole swing is on over yonder, and while we are as far along as we are.

It looks to me like we have passed clear along and far beyond the place where there was a basis for argument. I believe in free discussion, and free opinion. There is no disposition, I suppose, on anybody's part, to eliminate free discussion, but I am just talking about the nature of the policy; that whatever strength

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there might be in your argument, I don't believe that applies today to the practical situation that we have now.

I would just like to see us all say, Well, I may not agree with everything down there, but we have the friction of one mind upon another at arriving at the truth, and we have gotten the best thing we could under difficult circumstances. We have gotten this far, and it seems to me the hope would be that we sort of all tune in, now, whether we fully believe in the program or not.

That is my thought.

MR. MYERS: Well, of course, the policy is being shaped and changed from time to time, and everything. Criticism - there is nothing personal about it. If it is fair and shows some light, I don't regard it as out of place.

MR. JONES: I agree with you on that. I think, however, that this particular argument would have fitted much better into the pattern of a year ago than it fits today.

MR. MYERS: I would say that I think the pattern has been fairly consistent.

MR. JONES: I think it has changed a good deal.

MR. MYERS: I mean the pattern of argument.

MR. JONES: Yes, but we are faced with a far different situation both at home and abroad.

MR. MYERS: Of course.

H.M.JR: May I interrupt a minute? Would you mind stating what I call the Cornell position? I think these gentlemen are only arguing with you on one segment. Would you state where you people stand at Cornell? I would just like to hear it stated as an over-all policy. I think

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you will be interested. You may have heard it. I think it is exactly the same position that Chester Davis took when he was here.

For my own benefit - these people may be entirely familiar, but I would like to have you state what I call the Cornell formula on the production and price business, and where you are today. I think it would be interesting. I think you are only getting a piece of that.

MR. MYERS: I think the argument of subsidies and the control of inflation omits consideration of longer-run effect; that we aren't out of this mess yet, and that further addition to consumer purchasing power that isn't taken out by taxes--

MR. VINSON: And war bonds and savings.

MR. MYERS: And the war bonds are less permanent, but I am highly enthusiastic about that, as you know.

They present a threat to our economy that, in the long run, is just as serious as what happens during the war; that the so-called consumers' gap, or whatever you want to call it, that is increased by the amount of subsidies, is a threat to the stability of prices that may become very evident - we hope not - in the period after restrictions are removed.

The other angle is that of course there isn't any such thing as the Cornell point of view, because we are individuals, and we have disagreed among ourselves. We try to follow the study of prices and their effect on production without reference to any dogmatic pronouncements.

Frank, you have kept awfully quiet. Why don't you try to present the answers?

MR. PEARSON: The answer is, Mr. Morgenthau - is I don't quite know what the question is. The relation of production and prices, Mr. Morgenthau?

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H.M.JR: You people have had an attitude, the way I interpret it, that if there were no limitations on production, that the price situation would take care of itself. I have the impression that you people are against all regulations as to production and any ceilings on any food prices. And the question of production, the question of limitations on any particular crops, any ceilings on prices and the impact on the general price level and on the farmers' purchasing power - it may be a misnomer, but it is always the same song that has been consistent, and you people haven't changed any as far as I can tell from reading - you haven't changed your tune any in the last year or two. It has been perfectly consistent.

I am not sure that I understand it, but at least for my benefit, if these other people wouldn't mind, would you explain it?

It is so divergent from what the Administration is trying to do here, I think we might just meet it face on and get the over-all thing, because it isn't just a question of this business of subsidies; it is much deeper than that.

MR. PEARSON: Cornell has no point of view on price-fixing. I suppose most of the professors up at Cornell University are price-fixers. What I have to say is my own view. I feel that in times of war there is such a great demand for commodities and such a decrease in production, that prices inevitably rise; inflation is inevitable.

The thing to do is to conduct the economy on the basis that you are going to have inflation, and use inflation rather than try to stop it.

Now, by the process of stopping inflation, you increase the purchasing power of civilians, you add to the Government debt, and you employ large numbers of people administering various policies, which is a drag on manpower, which is always scarce in times of war.

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So, to state it very briefly, I have felt that the time-honored way of conducting wars has been to let prices run their course. It liquidates the consumer, which is necessary in times of war, and this is the first time in history that all the world - practically every country in the world - has attempted to prevent inflation in times of war. I think it is impossible.

MR. JONES: It is the first time in history we have had this kind of war.

MR. PEARSON: Well, for the size of the world, those were quite good wars, World War I, the Napoleonic Wars--

H.M.JR: I want to get this out in the open.

MR. JONES: I am not going to argue with you. I would like to ask this question so that you may develop it as you go along. Without arguing whether that would have been a better method to start with, do you think we still ought to abandon everything we are doing and release all prices right now?

MR. PEARSON: That is a tough question.

MR. JONES: It is a question we have to face.

MR. PEARSON: I don't think you have to face that question. The machinery is set up and you're going right down the regimentation pattern. There is no argument about that, and there is no turning back after you once start it. There is no turning back and even after the war is over, you are going right down that path.

MR. VINSON: It seems to me that that may at one time have been a theory that might be presented, that inflation and all the consequences, was inevitable; but I think you have overlooked one major factor without which our dollar - the position of the dollar here in this country - would not be what it is today, and that is the restraint of the American people.

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There is no question on earth that when the program started in Congress and out of Congress, the idea of controls had few supporters. I don't know that the people, generally, would have spelled it out like you have, Mr. Pearson, that inflation was inevitable and had to run its course like a disease.

It was once thought that tuberculosis had to run its course, and the end was death. Science stepped in and found out something about it, and medical science was provided, both preventative and remedial.

The people of this country, in my opinion, have been educated to the point that they feel and know what inflation has done to them and can do to them. The farmers particularly - because of the experiences in World War I and immediately following - know what it has done.

When you had your inflationary spiral, and you had your abnormal prices for lands, and you had the loss of farms and homes, when the inevitable deflation followed, they saw, and we saw, the results not only as to their individual economy, but we saw the effect upon a thinking people.

I know you gentlemen will remember when they pulled the Judge off of the State Bench in Iowa and escorted him out of his town and put a rope around his neck and threw it over a limb because he signed what we call a default judgment - an order of sale - where there would be no defense, submitted to an action in debt, to foreclose a mortgage lien. The restraint of the American people has been demonstrated. I know here and there you have got chiselers - you have got folks who have got the money and pay prices that are not in conformity with the law - but I believe that when you say that inflation is inevitable, and when I say inflation, I mean disastrous inflation, I just can't go with you, and I don't believe that the history of this period demonstrates that it is inevitable. If it is inevitable, we can only do just the best we can, and if you are right and it is inevitable, why of course it is going to come.

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But the history of our economy today, as compared to the comparable period during World War I certainly is very favorable towards the position that disastrous inflation is not inevitable. Now, of course, if you are right, it doesn't make any difference what happens. If it is inevitable, it is inevitable, but God help us if it is inevitable. I think it is not only important so far as the home front is concerned, but I think that our being in a strong position - our economy being strong - that we would be in much better position after the guns quit firing to try to have an enduring peace and assist in the rehabilitation of the world.

If we have run-away inflation, all of the "isms" that can be presented to an unhappy people will be presented, and I just hope that you and the economists that feel that disastrous inflation is inevitable are a hundred percent wrong.

MR. PEARSON: I hope they are, but I don't think anybody--

MR. VINSON: If you let prices, as I understood you, that it was inevitable, that you just let nature take its course, let the disease run - I may have misunderstood you - let the disease run, and as I see it, if the disease runs its course--

MR. PEARSON: Do you call the rise in prices during World War I in England and the United States disastrous inflation?

MR. VINSON: There is no question but what it was disastrous. I think the effects, subsequently, demonstrated that.

MR. HAAS: Of course, in this situation you would have a much more severe inflation because of the percent of the national production which is going to war is much higher than it was in the last war.

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MR. VINSON: Fifty percent of our production is going to war, with twenty-five going to war before, and then the amount of our total production, which makes our fifty percent very, very much higher--

MR. HAAS: That is new to me, Frank. I never knew you had that opinion.

H.M.JR: I knew it.

MR. PEARSON: I want to define very carefully this disastrous, wild inflation.

MR. JONES: Mr. Pearson, your position interests me. You say you wouldn't have any controls on your prices. Would you have any on your money - on the amount of money? Do you believe in turning everything loose without any rules and regulations of the Government at all?

If you are going to have complete freedom on the price line, on the farm products line, are you going to take all the other controls off?

MR. PEARSON: You mean off production of farm products?

MR. JONES: You said on production of farm products. I understood you were going to take those off.

MR. PEARSON: Yes, I would take those off.

MR. JONES: Would you take off the tariffs?

MR. PEARSON: I have not studied that problem.

MR. JONES: It is all related.

H.M.JR: If I may say so, that is my criticism of the whole thesis - if you don't mind my saying so. I don't mean to be personal, but in approaching this thing

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I think you have blindness on this particular thing to get the farmers higher prices and to hell with the rest of the world.

MR. JONES: I don't believe you and Bill see eye to eye on all this stuff.

MR. MYERS: I don't think you can take any group of six or twelve men and see a hundred percent. We never write an article that we don't give and take. Isn't that right?

MR. PEARSON: Certainly.

MR. JONES: But I don't see how you are going to turn - take all the restrictions off the farm production and have the artificial regulations of the business end. The whole thing is tied together; they are inter-dependent, inter-related.

MR. VINSON: What about wages? No controls on wages? If there would be a letting down of the bars and no price control, what is your attitude in regard to wage control?

H.M.JR: And no crop control.

MR. VINSON: I just put the price control--

H.M.JR: I am sorry.

MR. PEARSON: I would say, on the record, that with or without wage controls, wages wouldn't be much different than where they are now.

MR. VINSON: Well, that is really funny. That is really funny. Leave the smile off and say that is really funny.

MR. HAAS: Well, Frank, look at the over-all picture in the last year; there has been a good deal of stability

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in prices - in the cost of living. Now, you may argue about both indices, but in view of the thing which has developed, like excess purchasing power, and so forth, I don't think - as a technician, I wouldn't argue with what you say. I agree with that, that subsidies create excess, but I would say that Judge Vinson and the people who are working on it recognize that. But what is the alternative? Their real job, and the real generating power of inflation is in this wage spiral.

All right, you take the whole thing together; if by granting this subsidy which is inflationary, you stop a spiral of inflation which is much more disastrous than the small amount of inflation which the subsidy itself provides - and the article does not take in the key point at all - that would be my main criticism. That is where I would leave it. Technically, I couldn't argue with what you said, but I would say you didn't go far enough, and weren't fair to the stabilization people in taking in the main point. And the main points of discussion on the Hill have been on that end.

MR. PEARSON: Mr. Haas, because there is a lot of discussion on the Hill that wages make prices and prices make wages, do you really believe that philosophy?

MR. HAAS: I believe this, that if you get wages going up, your prices will have to go up.

MR. VINSON: Or vice versa.

MR. HAAS: We have had illustrations. Another thing I will say - I mean on our philosophy of letting things go - the key thing in the war is to produce this armament. All the things we are discussing in this room are man-made situations. They could be handled, and I think the world has demonstrated to date that they can be handled this time better than last time. I think in another war we will still learn a lot financial-wise. If you didn't have these controls, I don't think the great increase in production that has taken place would have taken place. You would have had so much discontent, it would not have happened.

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Not only discontent currently, but discontent as to the future. The outlook would be so black you could not get the enthusiasm.

MR. VINSON: And on the farm front, when you take into consideration the fact that in '43 the farm income was twelve billion seven hundred and seventy-five million dollars, according to the figures that are presented to me, which is a peak--

MR. MYERS: You mean net?

MR. VINSON: Net after operating expenses, taxes, and so forth. I think I can say that the real farmers, fellows who actually produce the stuff, aren't responsible for the clamor for higher prices. It is actually the professional farmer, and when I say professional farmers, I refer to so-called representatives of the farmers here in Washington, that are the ones who are clamoring for higher prices.

I see a lot of farmers, real honest-to-God farmers, and they tell me that prices are too high. You take the cattle prices; I have been told that for a year by producers of cattle, and by some of the representatives of the livestock growers.

I think that the clamor that comes from the professional farmers rather than the farmers themselves, because I believe the farmer realizes that he catches it probably first, and probably the hardest, when you have the deflation that follows.

My thought is that the higher the inflationary spiral, the longer is the drop that comes, because no one can say that deflation will not follow inflation. Do we agree on that last statement?

MR. PEARSON: Yes.

MR. JONES: Bill, you started to say something.

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MR. MYERS: I say that after we see the experience of this war period, including what happens to the inflationary gap after fighting stops, then we can evaluate better the effectiveness of the program this time as compared with the last war.

That is, the evidence is not by any means, all in, and what happens, or what will happen to the excess purchasing power in the hands of consumers when controls are removed, is a part of the picture.

MR. VINSON: And those in charge of the stabilization program, as far as I know, are unanimous in the thought that their controls should be retained for a reasonable period after the fighting stops.

The cases for increased wages in this country run - oh, I would like to check this figure, even for our discussion, because I am not certain about it now - but the number of cases that comes to the War Labor Board where management has either asked for the increase, or signs the agreement for increase, as compared to dispute cases, I would say, within a year period, twenty-five or thirty to one. And if you didn't have wage stabilization, I think the sky would be the limit, because they would want, where they are short in manpower, to bid them up; then the other fellow, in order to defend himself, would bid them up, and the sky would be the limit.

There were five thousand, plus, dispute cases before the War Labor Board in a certain twelve-month period. The exact date of that twelve-month period, I don't recall - I think probably it was the end of the year, but it might have come over into this year; and the number of non-dispute cases, my recollection was one hundred and eighty-five thousand. And to me that shows what would happen if you didn't have wage controls.

H.M.JR: Could you gentlemen go on? I have an appointment with General Marshall.

MR. VINSON: I have one at eleven o'clock, too, Henry.

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H.M. JR: I don't want to break it up, but I have to keep this appointment with General Marshall.

MR. VINSON: I think it has been very nice to have this get-together, and I had a general notion about what Mr. Pearson's idea was in regard to the situation, and if you start from the premise that the inflation, the disease, must run its course, then of course it is clear that - speaking still in terms of diseases - that death or ruin inevitably follows.

As far as I am concerned, I just hope and pray that theory that you feel is sound, may prove incorrect. I believe that the good sense and the restraint that the American people have shown in not going on big sprees - and that has been demonstrated beyond question--

MR. MYERS: So far. We hope it continues.

MR. VINSON: But in that demonstration, you must not overlook the controls and the education that they have received, because I believe the American people are more familiar with the dangers of inflation today than they were ever before, and to prove that point - you rarely see a person - or at least I rarely see a person - who will not say, vehemently, that they are for the stabilization program, that they are against inflation, that inflation must not come, that they are doing everything on earth to prevent it. But the particular segment of our economy that they represent, increased prices and increased wages there will be of such small consequence that that particular inflation will not be hurtful.

For instance, Ed O'Neal, Chairman of the Farm Bureau, says there ought to be a little inflation for the farmer. He made that statement to me; I heard him.

I just don't believe that we could have a little inflation without fire spreading.

June 7, 1944

My dear Mr. President:

In reply to your memorandum of May 23, I had Fred Vinson, Marvin Jones, and Bill Myers and Pearson of Cornell here this morning.

I doubt very much whether we made any dent on Myers and Pearson. Pearson has a closed mind. But at least we made an honest effort.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,
....
The White House.

NEW YORK STATE COLLEGE OF AGRICULTURE
AGRICULTURAL EXPERIMENT STATIONS
CORNELL UNIVERSITY
ITHACA, NEW YORK

207-B

EDMUND EZRA DAY, PRESIDENT

WILLIAM I. MYERS, DEAN

OFFICE OF THE DEAN

May 29, 1944.

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

Dear Henry:

This will confirm the engagement of Pearson and myself for lunch at your office at one o'clock on June 7. We will arrive in Washington that morning and if there is someone that you would like to have me talk with prior to our luncheon engagement, please let me know. Otherwise, I shall probably spend the major part of the morning with Bob Coyne and M. L. Predmore going over the farm war bond program.

I am very sorry if our article in Farm Economics has caused you any annoyance or difficulty. I am enclosing a copy of the issue of Farm Economics and if you are interested you will find the article in question on page 3567, entitled, "Food Prices and Earnings of Factory Workers." It points out that index numbers do not reveal accurately present levels of costs because they do not include the prices of articles which sell above legal ceilings. I guess the difficulty arose from the fact that somebody wrote a piece about this article for the New York Times which has been used by the CIO in its attempts to increase wage ceilings.

We rejoiced with you that Bob was picked up safely after his ship was torpedoed in the Mediterranean. I hope that he is none the worse for this thrilling experience.

With warm personal regards, I am

Sincerely yours,

W. I. Myers
W. I. Myers
Dean

P.S.- In accordance with Mr. McHugh's note, just received, we will be in your office at 10.00 A.M. on June 7 to meet with yourself, Judge Vinson and Mr. Marvin Jones.

W.I.M.

*H. J. Jr.***FARM ECONOMICS**

Department of Agricultural Economics

NEW YORK STATE COLLEGE OF AGRICULTURE
CORNELL UNIVERSITY, ITHACA, N. Y.Published and distributed in furtherance of the purposes provided for in the
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No. 140

APRIL 1944

Year	Prices 40 basic com- modities ¹	Farm prices		United States food			Prices articles farmers buy ⁴	Costs dairy farm- ing ⁷	Cost of living ⁸	Earnings factory workers ⁹
		New York ²	United States ³	Farm prices ⁴	Retail prices ⁵	Costs distrib- ution ⁶				
1915	106	98	99	106	107	106	107	104	102	104
1916	132	114	118	120	117	109	125	116	112	116
1917	197	169	175	182	156	127	148	141	128	132
1918	213	186	204	201	180	158	173	161	153	164
1919	218	206	215	214	194	173	198	178	174	190
1920	243	217	211	212	207	203	202	201	204	227
1926	150	159	146	154	174	192	168	170	178	234
1933	82	82	72	69	106	141	120	105	132	176
1934	101	97	90	83	122	158	129	114	136	187
1935	112	102	109	109	143	175	130	120	139	196
1936	118	113	114	116	146	173	128	124	140	204
1937	131	115	122	124	152	181	134	136	145	221
1938	109	98	97	101	139	174	127	129	143	211
Aug. '39	103	103	89	92	132	168	123	124	140	222
1939	110	101	95	97	135	171	125	127	141	220
1940	116	107	100	101	136	167	126	128	142	228
1941	137	123	124	124	148	167	133	144	149	267
1942	156	152	159	157	171	179	151	172	165	323
1943	167*	193	192	186	184	171	164	206	175	376
Nov. '42	157	164	170	167	173	180	155	180	169	343
Dec.	160	162	177 ⁵¹	169	174	188	156	191	170	349
Jan. '43	163	172	181	176	181	186	157	194	171	354
Feb.	164*	174	184	180	185	186	159	195	171	362
Mar.	167*	183	192	185	192	189	160	201	174	371
Apr.	167*	194	197	189	194	187	162	202	176	375
May	167*	207	194	193	197	182	163	205	177	373
June	167*	218	195	194	191	170	164	207	177	376
July	167*	202	193	191	181	154	165	207	175	371
Aug.	168*	185	192	188	179	151	165	206	175	379
Sept.	170*	186	193	186	178	158	165	209	175	382
Oct.	169*	204	194	187	178	162	166	212	176	388
Nov.	168*	205	194	186	175	159	167	214	176	393
Dec.	170*	198	196	186	174	165	169	226	176	389
Jan. '44	170*	203	196	184	177*	169*	169	226	176	395
Feb.	171*	206	195	184	180*	167*	170	225	175	398

Index numbers on pre-World-War-I base. Footnotes on page 3529-30. *Preliminary.

LIVESTOCK

RECENT TRENDS

During the past six years, the livestock industry in the United States has been characterized by rapidly increasing numbers, rising and high prices and purchasing power per head, advancing aggregate values, and unusually abundant feed supplies. During this period livestock numbers increased about 50 per cent. Hogs and chickens increased the most, and milk cows and sheep the least (table 1).

TABLE 1.—PER CENT CHANGES IN LIVESTOCK DURING THE LAST SIX YEARS, JANUARY 1, 1938 TO 1944

Class of livestock	Numbers		Purchasing power of price		Aggregate value		Purchasing power of aggregate value	
	Recent trend	Probable trend	Recent trend	Probable trend	Recent trend	Probable trend	Recent trend	Probable trend
Hogs	increasing at decreasing rate	liquidation	decreasing	decreasing	decreasing	decreasing	decreasing	decreasing
Chickens	increasing at decreasing rate	liquidation	decreasing	decreasing	decreasing	decreasing	decreasing	decreasing
Beef cattle*	increasing at decreasing rate	liquidation	decreasing	decreasing	decreasing	decreasing	decreasing	decreasing
Milk cows	increasing at decreasing rate	liquidation	decreasing	decreasing	decreasing	decreasing	decreasing	decreasing
Sheep	increasing at decreasing rate	liquidation	decreasing	decreasing	decreasing	decreasing	decreasing	decreasing
All meat animals†	increasing at decreasing rate	liquidation	decreasing	decreasing	decreasing	decreasing	decreasing	decreasing

*Including dairy cattle under two years.

†Animal units.

Prices of all livestock rose over 50 per cent. Cattle rose the most; and sheep, the least (table 1). The purchasing power of the prices of all livestock rose 7 per cent. The purchasing power of cattle rose the most, and sheep declined.

Due to increasing numbers and rising prices, the aggregate value of all livestock more than doubled. The greatest increase occurred in the value of hogs which approximately trebled. The purchasing power of the aggregate value of all livestock increased about 60 per cent. The aggregate purchasing power of hogs and beef cattle increased the most, and sheep decreased.

The supplies of feed grains¹ and hay increased 37 and 27 per cent, respectively.

PRESENT POSITION

As a result of these accumulating numbers and wartime prices, the total values of all classes of livestock are high, or the highest in history (table 2). Furthermore, the purchasing powers of the aggregate values of most classes of livestock are high.

TABLE 2.—LIVESTOCK SITUATION, JANUARY 1, 1944

Class of livestock	Numbers	Price	Purchasing power of price	Aggregate value	Purchasing power of aggregate value
Hogs	highest in history	second highest since 1920	high	second highest in history	second highest in history
Chickens	highest in history	highest in history	second highest in history	highest in history	highest in history
Beef cattle**	highest in history	second highest in history	fourth highest in history	highest in history	second highest in history
Milk cows	highest in history	highest in history	second highest in history	highest in history	second highest in history
Sheep	high	high	average	high	average
All meat animals†	highest in history	third highest in history	approximates previous peaks	second highest in history	second highest in history

¹Last year was the highest in history.
†Animal units.

**Including dairy cattle under two years.

²Including concentrates.

Although the numbers have been increasing and are very large there are indications that a change is in order. The numbers of most classes of livestock are increasing at a decreasing rate (table 3). In the past, such trends were the forerunners of liquidation. The purchasing powers of most types of livestock are decreasing. If the purchasing powers are of any value², they are further indications that liquidation will follow.

Feed is the basic factor which calls for liquidation. There are more hay-consumers than there is hay, more pasture-consumers than there is pasture, and more grain-consumers than there are grain supplies. Despite regulation to the contrary, prices of feed and hay will rise relative to livestock prices.

TABLE 3.—RECENT AND PROBABLE TRENDS IN LIVESTOCK

Class of livestock	Numbers		Purchasing power	
	Recent trend	Probable trend	Recent trend	Probable trend
Hogs	increasing at decreasing rate	liquidation	decreasing	decreasing
Chickens	increasing at decreasing rate	liquidation	decreasing	decreasing
Beef cattle*	increasing at decreasing rate	continuation of increasing numbers at decreasing rates, followed by liquidation	decreasing	decreasing
Milk cows	increasing at decreasing rate	liquidation	decreasing	decreasing
Sheep	liquidation	liquidation	decreasing	decreasing
All meat animals†	increasing at decreasing rate	liquidation	decreasing	decreasing

*Including dairy cattle under two years.

†Animal units.

The industry will soon enter a period of liquidation, and much less abundant supplies of feed. Normally during such periods, the price and purchasing power of livestock decline. The course of prices and purchasing power is confused by price fixing, black markets, rationing, the duration of the war, Lend-Lease, rehabilitation, and the impending inflation.

The forces making for higher prices—Lend-Lease, rehabilitation, black markets, and impending inflation—will be equal to or greater than the forces making for lower prices—increasing supplies and government regulations. Regardless of whether prices continue to rise or start to decline, the "true" purchasing power of livestock will continue to decline.

LIVESTOCK CYCLES

Livestock cycles vary in length from a quarter of a century to a few years. The approximate length of the horse cycle is 25 years, the cattle cycle 15 years, the sheep cycle 10 years, and the hog cycle a little less than 5 years. The length of the cycles is dependent on the time required to create a surplus and then to liquidate it. The cycles are biological as well as economic. Some of the more important biological considerations are the rate of reproduction and the rate of growth which is closely related to the time required to reach the reproductive age.

The horse produces a colt a year which does not reach maturity for several years. Consequently it takes many years to create a surplus of horses. It also takes a long time to dispose of a surplus. We do not eat horse flesh and it takes a long time to wear the horses out. Sentiment prolongs their life even after they are no longer useful.

²It is difficult to measure the exact position of purchasing power of livestock. If one is not certain of the approximate level, it is impossible to determine the farmers' response.

(Continued on page 3566)

NEW YORK

PRICES PAID TO PRODUCERS FOR FARM PRODUCTS¹

	Corn	Oats	Wheat	Barley	Buck-wheat	Beans	Hay	Pota-tatoes	Apples	Horses	Hogs
	bu.	bu.	bu.	bu.	bu.	bu.	ton	bu.	bu.	head	cwt.
1910-14 Average	75	48	99	77	75	3.38	13-40	71	83	177	7.61
1914	81	48	98	77	92	3.35	13.00	90	78	171	8.00
1915	85	50	110	78	87	3.20	13.47	50	64	174	7.95
1916	91	53	124	82	93	4.08	14.40	204	108	168	8.40
1917	108	73	211	125	104	7.74	17.40	127	177	171	13.94
1918	105	91	200	150	181	7.25	17.80	121	119	169	16.30
1919	177	83	219	130	164	5.10	21.90	137	178	162	16.35
1920	174	101	236	131	172	4.86	23.05	232	160	160	13.90
1921	90	59	140	74	89	3.52	14.34	200	100	120	12.22
1922	86	48	87	61	37	1.94	11.95	48	101	144	9.11
1923	90	45	98	63	68	2.50	9.39	108	100	150	9.55
1924	104	53	116	79	87	3.42	10.47	85	112	164	9.90
1925	87	48	75	56	64	1.82	7.29	58	72	150	8.48
August 1930	59	37	63	47	53	1.65	9.80	80	75	140	6.60
1930	63	39	77	53	56	1.75	8.08	81	75	147	7.40
1940	71	43	87	55	62	3.08	11.18	75	84	143	7.90
1941	79	45	95	59	60	3.10	10.97	70	83	134	8.93
1942	82	48	115	73	84	3.07	13.28	102	123	143	12.80
1943	113	73	152	102	121	3.48	12.12	175	202	153	14.18
1944	102	72	120	70	75	2.97	10.20	110	140	145	14.00
1945	93	54	122	73	80	2.97	10.00	115	140	140	14.10
1946	90	57	130	78	95	3.00	11.20	120	130	140	14.60
1947	102	60	132	81	105	3.06	11.50	130	140	140	14.90
1948	105	63	140	87	120	3.12	12.00	155	150	150	15.40
1949	107	67	150	94	125	3.20	12.00	205	170	157	15.00
1950	109	71	150	90	125	3.30	12.80	260	230	150	14.80
1951	113	76	150	105	130	3.30	12.70	285	275	105	14.30
1952	118	75	152	104	131	3.36	10.80	185	285	105	13.60
1953	121	75	157	105	123	3.48	9.90	150	200	155	13.60
1954	118	82	165	120	140	3.48	12.00	150	185	160	13.90
1955	122	90	165	121	116	3.06	13.50	155	225	145	13.30
1956	120	90	163	121	125	3.60	13.80	135	235	143	12.90
1957	122	93	165	143	137	3.60	13.80	135	235	143	12.90
1958	129	92	166	123	130	3.60	14.10	160	260	140	12.70
1959	132	94	166	126	139	3.72	14.00	180	260	145	12.40

INDEX NUMBERS (CORRESPONDING MONTHS, 1910-14 = 100)

	Corn	Oats	Wheat	Barley	Buck-wheat	Beans	Hay	Pota-tatoes	Apples	Horses	Hogs
1915	113	117	120	101	116	134	100	70	77	98	93
1916	121	110	125	106	124	197	95	105	93	97	110
1917	134	136	213	175	219	325	81	287	130	95	183
1918	200	190	221	189	210	210	110	170	143	95	215
1919	236	173	221	189	210	210	110	170	143	95	215
1920	232	210	238	190	220	204	143	193	214	98	213
1921	120	104	151	96	119	148	93	200	204	90	183
1922	115	700	88	79	76	82	78	63	123	81	101
1923	120	94	99	82	91	105	61	157	120	90	125
1924	139	110	117	103	116	144	68	120	135	93	130
1925	89	79	70	73	85	76	47	82	87	88	110
August 1930	77	73	66	61	65	67	56	91	100	79	85
1930	84	81	78	68	75	74	58	114	100	83	95
1940	95	90	88	71	83	82	71	99	113	70	117
1941	105	94	90	77	80	130	71	99	101	81	79
1942	123	121	116	95	112	120	80	144	145	81	169
1943	131	120	124	122	101	142	79	216	243	85	186
1944	118	115	124	93	104	123	68	190	185	83	188
1945	124	115	124	97	111	122	71	180	162	80	192
1946	138	127	131	104	134	128	73	188	160	81	196
1947	144	128	137	111	140	131	76	188	161	80	199
1948	148	134	140	113	160	135	77	248	167	85	199
1949	151	137	150	122	171	145	78	297	168	86	192
1950	149	142	150	122	160	144	78	301	204	90	195
1951	151	149	147	121	167	143	79	301	204	90	195
1952	158	147	150	133	150	139	68	268	281	92	193
1953	157	149	164	130	152	141	67	170	324	94	187
1954	159	167	169	143	158	141	70	150	298	87	180
1955	154	161	170	165	157	150	80	210	328	85	173
1956	156	166	168	161	174	153	91	277	346	81	179
1957	163	166	168	164	190	152	90	242	318	82	170
1958	179	204	168	164	190	158	92	250	321	81	174
1959	186	200	166	168	203	159	96	217	333	83	163

NEW YORK

PRICES PAID TO PRODUCERS FOR FARM PRODUCTS¹

	Chick-ens	Eggs	Eggs, N.Y.C.	Butter	Butter, N.Y.C.	Milk	Milk cows	Veal calves	Beef cattle	Sheep	Lambs	Wool
	lb.	108.	108.	lb.	lb.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	lb.
1910-14 average	14.8	38	35.0	31	30.1	1.60	50.83	8.33	5.47	4.22	6.38	21
1914	16.4	32	26.3	27	27.9	1.24	60.00	9.50	6.20	4.50	6.20	21
1915	15.0	29	26.7	31	29.0	1.25	65.80	9.21	5.80	4.77	7.33	27
1916	16.0	33	40.8	33	34.1	1.71	67.41	9.00	6.23	5.69	8.78	33
1917	20.8	43	51.7	42	42.7	2.58	83.36	12.85	7.95	8.62	12.03	53
1918	27.2	51	63.0	50	51.0	3.20	93.83	14.08	8.84	9.84	15.06	66
1919	31.7	59	69.3	60	60.5	3.53	110.98	16.38	9.25	9.91	14.25	50
1920	33.3	61	74.3	64	64.4	3.53	106.98	15.64	8.25	8.16	13.67	44
1921	26.0	40	51.1	48	44.3	2.65	90.67	11.87	5.93	5.85	12.20	37
1922	17.8	31	35.5	32	30.0	1.70	74.80	8.08	5.31	3.88	7.77	32
1923	18.5	29.3	35.3	35	33.0	1.88	82.00	8.83	5.54	4.35	8.02	30
1924	18.2	27.7	33.7	30	34.3	1.91	81.00	9.49	5.92	4.70	8.54	35
1925	18.8	27.8	34.0	31	37.8	1.74	80.00	9.33	5.78	3.90	7.88	32
August 1930	16.8	26.0	31.6	27	24.2	2.00	75.00	8.80	5.40	3.45	8.10	23
1930	17.0	24.0	30.5	28	26.5	1.95	77.00	9.20	5.67	3.68	8.40	25
1940	16.1	25.0	29.6	31	29.5	1.70	81.00	9.48	5.88	4.38	8.62	32
1941	18.1	30.0	30.0	30	34.2	2.31	92.00	11.04	7.75	4.74	9.73	39
1942	23.4	37.7	42.8	42	49.1	2.70	119.00	13.74	9.23	6.01	12.13	43
1943	30.1	44.9	47.8	51	43.9	3.24	159.00	15.50	10.92	6.85	13.73	45
1944	21.0	47.8	53.5	48	46.5	3.27	140.00	14.80	9.80	6.00	12.00	44
1945	23.1	48.4	53.0	49	46.5	3.18	140.00	14.80	10.40	6.50	13.00	44
1946	27.3	45.8	44.0	51	47.4	3.16	143.00	15.50	10.80	6.50	14.20	44
1947	27.5	38.1	39.7	32	47.1	3.16	150.00	16.00	11.20	6.90	13.70	44
1948	28.6	38.1	41.9	53	46.8	3.07	150.00	16.10	11.60	7.00	14.70	45
1949	31.4	37.7	42.3	53	46.8	3.08	160.00	15.70	11.10	7.30	14.50	45
1950	32.2	38.0	42.7	52	46.8	3.09	160.00	16.10	11.50	7.50	15.30	40
1951	31.0	38.0	45.8	50								

(Continued from page 3563)

The hog cycle is much shorter. The rate of reproduction is high—about six pigs per sow and one or two litters per year. Pigs grow rapidly reaching a reproductive age in a relatively short time. Consequently little time is required to produce a surplus. When a surplus is created, there is no difficulty in disposing of it. We just eat a little more bacon, pork-chops, and sausage.

The length of livestock cycles is also affected by the cost of making adjustments. It is more expensive to reenter horse and cattle production after liquidation than is the case with hogs and chickens.

The actual livestock cycles do not always follow the biological cycles. Abundant feed supplies will lengthen the cycles beyond their normal biological time and scarcity of feed will shorten them.

POULTRY CYCLE

There is no clearly defined poultry cycle. The rate of reproduction—150 eggs per hen per year—and the fact that chicks reach a reproductive age in six months indicate that the biological poultry cycle would be very short. A surplus can be created quickly. Since few people ever have enough roasted and fried chicken, there is no difficulty in disposing of a surplus. The periods of expansion and contraction in the poultry industry, however, vary from one to three years and appear more like the hog cycle than a biological poultry cycle (figure 1).

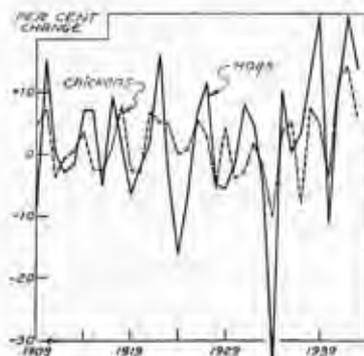


FIGURE 1.—PERCENTAGE CHANGE IN THE NUMBER OF HOGS AND CHICKENS, 1909 TO 1943. Changes in the number of chickens are a facsimile of the hog cycle.

Both hogs and chickens are competitors for grain. Feed grains and concentrates probably represent over 90 per cent of their diet. In the aggregate, hogs eat about twice as much grain as poultry. The poultry cycle, then, becomes a compromise between the short biological poultry cycle, the longer biological hog cycle, and irregular fluctuations in grain supplies. Since poultry is not so important as hogs and because of its shorter cycle, the changes in poultry numbers tend to be a reflection of the hog cycle (figure 1). During the past three decades the poultry cycle moved in the same direction as the hog cycle about three-fourths of the time. The changes in the poultry cycle are about half as violent as in the case of hogs.¹

NEW YORK

The hog cycle and the size of the corn crop are, therefore, two phases of American agriculture that are of particular interest to New York poultrymen. Of course the dairyman's important cycle is the cattle cycle. The purchasing power of dairy cows fluctuates with the purchasing power of other cattle and the periods of expansion and contraction in the dairy industry fluctuate with beef cattle. As the national livestock goes, so goes New York. The only difference is that in the past New York fluctuations have been much less violent than for the nation as a whole.

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¹The standard deviations of the percentage changes for poultry and hogs were 5.3 and 10.9, respectively.

FARM PRICES FOR VARIOUS STATES

During 1943 the highest prices prevailed in the Border States just south of the Mason and Dixon Line; and the lowest, in the deep South. If the agriculture of these areas were to be characterized by one crop, it would be tobacco for the Border States and cotton for the deep South.

During the year 1943 there was little or no change in prices in Iowa and Minnesota; whereas, there was a striking change in North Dakota. During August 1942 Iowa livestock prices were 41 per cent above North Dakota grain; but by December 1943 Iowa prices were only 9 per cent above North Dakota prices.

Comparison of World Wars I and II indicates that prices in the Corn and Cotton Belts were lower during 1943 than they were in 1918, the comparable year of World War I. The greatest difference occurred in the Cotton States, where 1943 prices were much less than those prevailing in 1918. Prices for the dairy states of the Northeast and the northern part of the Middle West were somewhat higher in 1943 than in 1918. The greatest difference prevailed in the tobacco-producing Border States, where 1943 farm prices were as much as 20 per cent above 1918.

FOOD PRICES AND EARNINGS OF FACTORY WORKERS

Analyses of the trends of prices are hampered by the difficulty of measuring the level of prices that are actually being paid. Index numbers of the cost of living, wholesale prices, and the like indicate where present ceiling prices are relative to former market prices. They do not tell us the present level of the cost of living or of wholesale prices because they do not take into consideration black market prices, deterioration in quality, second-hand prices, and the like. It is reasonable to assume that the cost of living and wholesale prices are above the level of the official indexes. This is not the fault of the index-number makers. They will be the center of controversy whether they change the indexes or not. If they do not make a change, labor leaders will contend that the index of the cost of living is not an accurate barometer of the real cost of living. If they do change the index, the regimenters and price fixers will be thrown into a bad light and the ghost of inflation will appear more real. There is a much greater difference between the "official" and "real" barometers of the cost of living and of wholesale prices than the public believes or the price controllers are willing to admit.

The best barometers of free prices have been wages and farm food prices. During world conflicts both labor and food are in short supply and great demand. The forces are so dominant and difficult to control that wages and food prices seek and ultimately find their proper levels.

FOOD

There is some indication that the official indexes of farm food prices are beginning to be affected by controls. During about half of 1943, official prices of corn fluctuated from \$1.00 to \$1.10. Similarly butter has been stable at 43 to 45 cents; and chickens, 24 to 25 cents. Prices of other products have been comparatively stable. This would indicate that black market quotations have not been reported. During the year the United

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States farm price of food rose only 6 per cent.¹ As the controls expand, the value of index numbers of farm food prices will diminish whenever shortages occur, since they will then be indexes of ceiling prices, not of actual prices.

EARNINGS

During the year 1943, the earnings of factory workers rose 10 per cent, almost twice as much as farm food prices. The rise was quite uniform throughout the year. "Hidden" increases in wages, which have official approval, have not been obscured in the indexes of earnings. "Hidden" increases in food prices, which do not have official approval, have not been included in the index of food prices.

There has been about as much discussion of efforts to control wages as food prices, but much more effort has been devoted to the latter. It may be more difficult to obscure the violations of wage policies than of price policies. Certainly the administration has frowned more on price advances than on wage advances. Therefore, it is to be expected that only ceiling prices will be reported; whereas, actual earnings paid are quite generally reported. As long as this condition prevails, it seems reasonable to assume that with passing time the value of the index of farm food prices will decline faster than the value of the index of earnings.

FOUR YEARS OF WORLD WARS I AND II

There are two methods of comparing New York farm food prices and earnings of New York factory workers during the two World Wars: (a) compare the amount of change, and (b) compare food prices and earnings with costs of farming and costs of living.

Change. During the first four years of the two wars, food prices and factory earnings rose about the same amount. The percentage advances were:

	New York food prices	New York factory earnings
World War I	82	62
World War II	91	71

Under the free prices of World War I, the costs of farming and the costs of living rose in about the same proportions, but under the controls of World War II the indexes of costs of living rose much less than the costs of farming. The percentage advances were:

	Costs of farming	Costs of living
World War I	58	50
World War II	62	24

Parity rates. After four years of World War II, the purchasing power of New York farm prices in terms of cost of farming was less than at a comparable date for World War I; whereas, the purchasing power of New York laborers was greater. The difference in the purchasing power of the farmers

¹The Bureau of Agricultural Economics index of farm products is higher than the food index and advanced more during the year 1943.

The Bureau of Agricultural Economics farm index contains tobacco, cowpeas, oranges, grapefruit, soybeans, and dry field peas that have been injected into the index on 10-season average 1919-28; 5-season average 1934-38; "derived" base period price, 1919-20; and "derived" base price.

was small compared to that for the urban wage earner. This has been due primarily to the rapid rise in the efficiency of factory labor and not to union bargaining power as many erroneously conclude. Earnings would buy about twice as much food during World War II as during World War I. The respective parity rates were as follows:

	Food prices in terms of costs of farming	Factory earnings in terms of: Cost of living	Farm food prices
World War I	116	107	88
World War II	94	215	105

Change in Parity Rate: In view of differences in efficiency and other factors, the most accurate approximation of the trend of prices and earnings has been the percentage changes in their purchasing power or parity rates for short periods of time in terms of flexible indexes. During four years of World Wars I and II, the purchasing power of food prices rose 16 and 18 per cent respectively. In terms of urban cost of living, earnings rose much more during this war. This increase in purchasing power is probably more apparent than real. In terms of farm food there was no difference. After four years of World Wars I and II the purchasing power of New York factory earnings declined about 10 per cent in terms of New York farm food prices. The percentage changes in the purchasing powers follow:

	New York food prices in terms of costs of farming	New York factory earnings in terms of: Cost of living	Farm food prices
World War I	+16	+8	-11
World War II	+18	+38	-11

It would seem reasonable to conclude that the index of the cost of living may not be an adequate barometer of real living costs.

Despite the many attempts of the government to keep down farm prices and to grant hidden increases to laborers, and despite the efforts of farm and labor leaders to get their own prices up and keep the other groups down, farm prices and factory earnings probably have not been far out of line relative to one another. Apparently the regimented economy of World War II has reached about the same end as was reached by the free price relationships of World War I.

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MILK SUPPLY AND DEMAND IN NEW YORK, 1943-1944¹

During the fall months of 1943 there was a general shortage of milk throughout the eastern states. All of the major markets along the Atlantic seaboard except New York City had to bring in milk from sources beyond their regular milk sheds to supplement the local supplies. Many carloads of fluid milk were shipped to these eastern markets, at high cost, from Michigan, Wisconsin, and other midwestern states. New York City escaped this necessity principally because it had kept enough farms under inspection to supply its peak requirements not only for fluid milk, but also for fluid cream, sour cream, and ice cream.

¹Reports of the Market Administrator for the New York metropolitan milk marketing area, and of the Bureau of Statistics, New York State Department of Agriculture and Markets, are the principal sources of data used in this analysis.

Probably a higher percentage of the New York milk supply was utilized for fluid sales in 1943 than ever before, yet during the spring and early summer production greatly exceeded the immediate requirements of the market. During that period large quantities of milk produced on farms under New York inspection were turned into manufactured products for military and civilian use, or into frozen cream to be used by manufacturers of sour cream and ice cream during the fall and winter (figure 1).

Most of the other large markets in the East depend on their local milk sheds only for fluid milk, and in some cases fluid cream. These markets have only small local reserves to draw upon in times of exceptional demand or decreased production. In this instance the shortages were due mainly to increased demand, but there was also a decline in production from the high levels of the last two or three years.

Except for the fact that other markets along the Atlantic seaboard took increased quantities of milk from plants under New York City inspection, the New York supply would have been more than ample even during November 1943, the month of lowest production. As it was, the margin between available supplies and market requirements was so small that an allocation program was undertaken by the Federal-State Market Administrator to facilitate the transfer of excess supplies controlled by certain handlers to others who were short. The period during which this program was operative coincides with the period of near-shortage in the New York milk supply. It extended from the last week in October to the third week in December.

In normal times, during the month of November a high percentage of the New York milk supply is utilized as fluid milk, fluid cream, and ice cream for sale in New York City. In November 1943, however, the margin of surplus over these requirements was reduced to a smaller percentage than previously had been considered practicable. Changes in utilization of the November milk supply during the last four years are shown in figure 2.

The changes that occurred between November 1940 and November 1943 may be summarized as follows:

	Daily average in millions of pounds	Per cent
Milk sold as fluid milk, New York marketing area	+0.86	+ 12.6
Milk sold as fluid milk, outside markets	+0.90	+100.0
Milk used for fluid cream, New York marketing area	-1.68	- 70.6
Milk used for sour cream and ice cream, New York City	-0.11	- 44.0
Milk for all other uses	-1.31	- 58.0
Total supply	-1.34	- 10.7

In the four years, the daily sales of fluid milk in November increased 860,000 pounds, or 12.6 per cent. The increase in shipments of fluid milk to outside markets was practically the same in amount but many times greater in percentage. Among the outside markets supplied in part with milk from the New York milk shed were Boston, Hartford, the New Jersey cities, Philadelphia, Baltimore, Washington, and other cities and camps as

far south as Florida. Moreover, a number of plants that have withdrawn from the New York milk pool in the last year or two shipped their entire output to these outside markets. The withdrawal of these plants was the main cause of the decrease of 1.3 million pounds, or more than 10 per cent, in the daily volume of pooled milk for the month of November.

Sales of fluid cream in the New York City marketing area took 1.68 million pounds less milk a day in November 1943 than in the same month of 1940. This striking reduction of 70 per cent was caused mainly by the wartime ban on sales of cream containing more than 19 per cent fat. Before this ban was imposed New York was predominantly a heavy-cream market, and light cream has not proved to be an acceptable substitute. Some distributors reduced their cream sales still further in order to save milk for bottling. A few dealers may have been affected by the government limitation order which restricts the cream sales of each distributor to 75 per cent of his output in June 1943.

As shown in the charts, relatively small quantities of milk are used for storage cream, sour cream, and ice cream in the month of November, and the quantity so used in November 1943 was 44 per cent less than in November 1940. Ordinarily during the fall months storage cream that was made from inspected milk during the season of flush production is used to a large extent in place of fresh cream in making sour cream and ice cream for New York City. From August 10, 1943 to March 1, 1944, however, the New

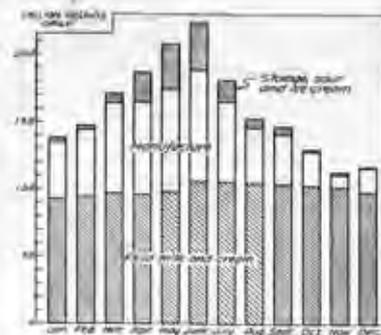


FIGURE 1.—MONTHLY UTILIZATION OF THE NEW YORK INSPECTED MILK SUPPLY DURING 1943.

As usual in the spring and summer, large quantities of surplus milk were available for production of storage cream and manufactured products. But in November the supply was barely sufficient to meet the demand for fluid milk and cream.

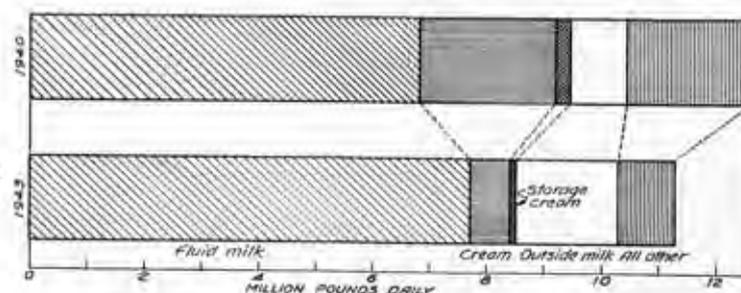


FIGURE 2.—UTILIZATION OF THE NEW YORK MILK SUPPLY IN NOVEMBER 1940 AND NOVEMBER 1943.

Last November the New York milk supply was the smallest for the month in several years but fluid milk sales were the largest. Shipments of milk to outside markets were much greater but sales of fluid cream in New York were much smaller than in November 1940.

York City Board of Health allowed cream for these uses to come from sources outside the milk shed. The imported cream took the place of much storage cream, as well as fresh cream made from inspected milk. The quantity of inspected milk used from current production last November for these products also was affected by the government orders which restrict the use of milk products in ice cream to 65 per cent of the 1942 volume, and sales of sour cream to 75 per cent of the output in June 1943.

After meeting the market requirements for fluid milk, fluid cream, sour cream, and ice cream, which ordinarily have priority in the New York milk shed, the quantity of milk left for manufactured products and cream for outside markets was 58 per cent smaller in November 1943 than in November 1940. In November 1943 the reserve supply of inspected milk, designated in figure 1 as "manufactured," was only 8.4 per cent of the total. The fact that this margin was so small, together with the tendency toward increasing demands and decreasing production, raises serious questions as to whether and by what means the market requirements can be met in full during the fall of 1944.

There are really three questions to be considered; namely:

1. Will the New York market requirements increase or decrease during 1944 and to what extent?
2. Will more, or less, of the milk produced in the New York milk shed be diverted to outside markets?
3. What are the prospects for production in the New York milk shed during 1944, and how can they be improved?

Present indications are that the quantity of milk and cream required for the New York market will be about the same or only slightly greater in November 1944 than in November 1943. If the government limitation order restricting milk sales to 100 per cent, and cream sales to 75 per cent, of the June 1943 volume for each distributor remains in effect and is enforced, only a slight expansion in the sales of these products will be possible. Cream sales could expand considerably but, as shown in figure 2, are a small part of the total. There is a possibility that the limits of sales might be reduced temporarily in case a severe shortage should develop.

The demand for milk and cream in the New York market may slacken a little during the coming year. Additional thousands of young men will be transferred from the civilian population into the armed forces, and it seems unlikely that the loss will be made up by migration to this area. Purchasing power will remain high, but with full employment at good wages already an accomplished fact before last November, the per capita demand for milk and cream is not expected to increase much further.

The renewed ban by the New York City Board of Health on the use of uninspected cream in the manufacture of sour cream and ice cream will result in more locally produced milk being used for these purposes, but these requirements will be met from stocks of storage cream made during April, May, and June.

The quantity of milk that is diverted from the New York milk shed to outside markets along the Atlantic seaboard will be influenced by several factors. Among these are possible changes in the population of Army camps and naval establishments in this region, the trend of production in the several milk sheds, comparative prices and subsidy payments, and government regulation of handling charges.

By next fall the number of men undergoing military training in American Army camps probably will be substantially less than it was in the fall of 1943. Thus it is probable that less milk will be required for camps along the Atlantic seaboard. On the other hand, the tendency to decrease the production of milk throughout this region, which was evident in the latter half of 1943, is likely to continue unless the returns to producers are raised substantially and unless feed and labor turn out to be more plentiful than is now expected.

Present indications are that there will be less advantage to cooperatives and other handlers in shipping from the New York milk shed to outside markets during 1944 than there was in 1943. The handler's cost of fluid milk sold in the New York market is the Class I price fixed in the federal-state marketing order, while the cost of milk sold in outside markets is based on the uniform price computed each month by the Market Administrator. An increase of 20 cents per hundredweight in the Class I price, effective November 1, 1943, together with higher market quotations for dried skim milk, raises the uniform price considerably and thus increases the handler's cost of milk shipped to outside markets. On the other hand, thanks to a federal subsidy, the handler's cost of milk sold in the New York market is not affected.

Government regulation of service charges on fluid milk also will tend to make the outside markets less attractive to shippers in the New York milk shed. During the past year distributors in outside markets offered higher prices than were obtainable in New York. However, an order recently issued by the New York Regional Office of Price Administration establishes uniform limits on the handling charges or mark-ups on all shipments of fluid milk by plants in the area, irrespective of destination. To overcome these less favorable conditions, some handlers in outside markets, particularly Boston, are reported to be negotiating for control of certain plants now under New York inspection by lease or purchase. So far only one plant in northern New York is known to have been leased to a Boston handler.

As the end of the war draws nearer it is likely that cooperative groups and owners of proprietary milk plants in the New York milk shed who have been interested in outside markets will give more consideration to long-time market prospects and may value more highly the privilege of participation in the New York pool.

Altogether, it seems likely that the diversion of milk from the New York milk shed to outside markets will not increase substantially during 1944 and may actually be less in November 1944 than in November 1943.

The main cause for concern about meeting the requirements of the New York market during the fall of 1944 is the fact that in recent months production in the New York milk shed has fallen considerably below the level that was reached in the last two or three years. In every month since July 1943 the total receipts of milk from producers at dairy plants in New York State, which include about three fourths of the milk pooled under the federal-state order for the New York City market, have been less than those for the corresponding month of 1942, and in several months the lowest in three or four years. January 1944 receipts were the smallest in five years. The percentage change in plant receipts each month since January 1943 from the average for corresponding months in the three

years immediately preceding has been as follows:

1943		1943		1944	
January	+1.0%	July	+3.7%	January	-5.9%
February	+3.4	August	-2.1	February	-4.6
March	+3.4	September	-0.2		
April	+0.6	October	-4.6		
May	-0.4	November	-7.6		
June	+3.4	December	-7.7		

The shortage of feed, actual or anticipated, and the shortage of labor are obvious reasons for this decrease in milk production. These conditions are likely to be worse rather than better in the fall and winter of 1944.

Another factor in the situation is the change that appears to be going on in the seasonal pattern of milk production in the New York milk shed. In the last several years the receipts of milk at New York State dairy plants in the months of February, March, April, and May have shown a rather steep upward trend, while the receipts in September, October, and November showed only a small gain. An increasing proportion of the cows have been bred to freshen in November, December, January, and February, and a decreasing proportion for March, April, and May freshening.

Changes in the time of breeding and freshening are made gradually and cannot be influenced enough by any changes in prices or subsidy payments during 1944 to affect the milk supply next fall. However, an increase in returns for milk during the latter half of 1944 would encourage the breeding of more cows for early fall freshening in 1945 and after. The number of cows on farms in the New York milk shed is near the all-time high, and the number of heifers is sufficient for normal replacements. The problem is to keep these cows in full production.

Government can help in three important ways to insure a high level of milk production in New York and other Atlantic seaboard milk sheds during the remainder of 1944, and especially in the critical fall months.

1. Further steps should be taken to assure the dairymen in this region of feed supplies as abundant as circumstances will permit.
2. The necessities of dairymen with respect to farm help and labor-saving equipment should be fully recognized and provided for as adequately as possible by the appropriate federal and state agencies.
3. Price returns for milk should be maintained at a level high enough to encourage dairymen to maintain their herds and feed their milking cows liberally even though labor and feed are high-priced, and even though it means longer work days than ever before for the farmers and their families. The first logical step is to suspend that provision of the New York milk order which calls for a reduction in the Class I price during April, May, and June. In addition, the Class I price and the retail price probably should be raised about July 1. If the rigid price control policy of the national government precludes this possibility, then the "feed" subsidy payments probably should be increased. The sooner these changes are announced the more effective they will be for the purpose of insuring an adequate milk supply next fall.

The prospects are that the price returns for milk will be favorable in relation to costs during 1944 and 1945, and that dairymen will find it profitable to maintain a high level of production.

LELAND SPENCER

HOW MUCH FOOD CAN WE STORE IN THE UNITED STATES?¹

The problem of food storage has been brought to the fore recently because of our attempts to help feed our allies and our promise to help feed people in liberated countries during and after the war. Earlier in the war the United States, a surplus-minded nation, promised vast assistance, almost as though food grew abundantly on trees and was there for the picking. As we began through Lend-Lease to deliver in a small way on our promises, we rapidly came to realize that our contribution would put little fat on the ribs of the world, with so little excess of current production over current consumption in this country and with so many people to be fed. We seem unwilling to make drastic sacrifices in consumption. Enjoying excessive money prosperity, our own citizens vigorously demand more beef steak and more butter.

As another approach, why can we not pick up our little excesses of different foods year by year, and accumulate them in storage? Then when the big need comes, we might have an impressive stock pile from which to aid liberated countries. As with food production a few years ago, storage space has been taken for granted, as though almost unlimited space was available for any emergency such as the present one. Therefore, an inventory of our storage space is in order. How far can our accumulation of food go, from the standpoint of storage space available? What types of storage are available for various products, and how do they compare in capacity?

Briefly, the picture as revealed by the following evidence is discouraging. We could not feed for long any great number of people in other countries, because of limited storage capacity in excess of our own seasonal needs. The only space of any great importance is our grain storage, especially on farms, and the open-air storage; both have distinctly limited usefulness for any program of national accumulation of food over long periods of time.

It appears, then, that any sizeable aid that we can give toward feeding peoples in devastated areas would have to come largely from a change in what we produce and its use,² rather than from large accumulations of stocks over a period of years.

Storage Capacity in the United States

People commonly believe that we have storage capacity for almost unlimited quantities of food, but this is not so. This mistaken impression has come partially from years of miseducation about the size of our food surpluses as a cause of the agricultural depression.³ These "surpluses" were mainly the result, not the cause, of the depression. Food prices were low for other reasons.

We have in the United States 13,353 million cubic feet of storage space of all types, except open-air storage which is almost unlimited (table 1). This is equivalent to about 100 cubic feet for each person in the country.

¹The author is thoroughly conscious of the probable inaccuracies of some of the figures included in this article. All factual evidence that could be found was first assembled, and then the gaps were filled in with guesses which were built up from various forms of indirect evidence. It is believed, however, that the picture presented here is essentially correct in its main outlines, even though details are subject to correction as more evidence becomes available. Also, some of the classifications used had to be arbitrary. Despite these difficulties, such a summary of the storage question seems warranted in view of our national aspirations to help feed the world.

²Harper, P. A., and Hyer, Edna; A. How Much of the World Can We Feed? *Farm Economics*, No. 146, page 3470, June 1943.

³Pearson, P. A., Myers, W. L., and Bennett, K. R., Food Surpluses, *Farm Economics*, No. 125, page 3122, May 1941.

TABLE 1.—SUMMARY OF ESTIMATED STORAGE SPACE THAT COULD BE USED FOR FOOD, UNITED STATES

Kind	Million cubic feet of total	Per cent of total	Kind	Million cubic feet	Per cent of total
STORAGE COMMONLY THOUGHT OF			STORAGE LESS COMMONLY THOUGHT OF		
<i>Mainly for perishables</i>			<i>Mainly for perishables</i>		
Cold storage other than meat			Livestock		
Above zero			Refrigerator space in stores, etc.		
Below zero			Total for perishables		
Total			<i>Mainly for semi-perishables</i>		
Cold storage for meat			Farm cellars, homes, stores, etc.		
Above zero			<i>Mainly for non-perishables</i>		
Below zero			Grain storage, on farms		
Total			Stores, homes, etc.		
Total for perishables			Open air storage		
<i>Mainly for semi-perishables</i>			Total for non-perishables		
Commercial, for root crops, etc.			Total, types less commonly thought of		
<i>Mainly for non-perishables</i>			GRAND TOTAL, ALL TYPES		
Grain, not on farms					
General warehouses					
Total for non-perishables					
Total, types commonly thought of					

*Guess, based on space in known areas proportioned to United States total relative to carlot shipments of such products.

**Based on actual square feet of floor space, and assumed average height. Non-refrigerated general warehouses.

***Based on numbers of livestock on farms (1041), related to the cubic volume of the total of edible portions.

†Guess, based on size of such crops plus unused space in homes having cellars (for amount of family consumption), less outdoor storage; number of establishments, estimated storage and floor space, and sales and sales-turnover figures; numbers of homes, refrigerators, space.

‡Guess, based on maximum reported farm storage of cereal crops, and an assumed figure for space still unused.

‡‡Exclusive of open-air storage.

Sources of other figures: Grain Storage Capacity and Stocks, April 3, 1943, Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C., May 10, 1944; Refrigerator Warehouse Space Survey as of June 16, 1943, Agricultural Marketing Service, United States Department of Agriculture, Washington, D. C., September 20, 1943 (corrected).

Our storage space can be divided roughly into two main parts. The first includes those types of storage of which we commonly think when we speak of "storage". It includes less than one-fifth of all our storage space, or 18½ cubic feet for each person. Over half of this is grain storage off farms. The remainder includes cold storages, general warehouses without refrigeration, and a little commercial-storage space for semi-perishables. Our cold-storage space for meats and for other products amounts to a little less than 6 cubic feet for each person, of which three-fifths is used for products other than meats.

Of all our storage space except open air, 81 per cent is of types not commonly thought of when we speak of "storage". But they are just as clearly a means of storing food as are the commercial-storage warehouses, and are highly important. They include farm and home storages, storage space in marketing agencies such as stores, and livestock as a form of storage. By far the most important in this group is grain storage space on farms, which is 5½ times as great as the grain storage space not on farms. Also, a large space is available for storing semi-perishables and non-perishables in homes, stores, restaurants, etc.

Livestock, as a form of storage for meat, overshadows our cold storage facilities for meat. If all the livestock were killed, dressed, and packed solid, only a little over half of it could be placed in our meat cold storages at one time; if packed loosely, as when the carcasses are hung for aging and curing, only a small part of our livestock could be put in storage. Thinking of our livestock another way, it represents a form of storage of the feed used to grow it. As such, it is enough to empty about three fillings of our entire grain-storage space not on farms.† Either way we look at it, livestock represents a tremendous storage either of meat or the feed necessary to produce it. However, it is doubtful whether much livestock is really used intentionally as a form of storage. To feed and care for a live animal purely as a means of "storing the meat" is too costly to be justified. Most of it is stock that is growing, or producing products like milk and eggs, or breeding stock.

Open-air storage cannot be ignored, though it is seldom thought of as "storage" space. It seems impossible to estimate the amount used; it is appreciable for products like wheat in exceedingly dry climates, and for some vegetable crops when combined with straw and earth coverings.

Our Domestic Storage Requirements

In the use of our available storage space, priority naturally goes to our own requirements. Our domestic needs arise from the fact that our food products are not produced evenly throughout the year, or as they are consumed. Consequently, (1) we must store, between harvests, some food that is to be consumed in about the same form as it is stored, (2) we must store feed for our livestock, to be fed them during the season between harvests, and (3) we must store a "minimum carryover" of some of the first two types of food and feed, so as to keep our marketing agencies stocked for business until the new crops have become properly seasoned and scattered through the distribution channels.

The average person in the United States consumes about 1,500 pounds of food a year which, if stored solidly, would require about 3,927 million cubic feet for all the people (table 2). This is nearly 30 cubic feet per person.

TABLE 2.—A COMPARISON OF STORAGE SPACE WITH CONSUMPTION AND CARRYOVER VOLUME, UNITED STATES
Millions of Cubic Feet of Space

	Perishables	Semi-perishables	Non-perishables	Total
<i>Requirements for a year's consumption and minimum carryover*</i>				
Human consumption	3,170	447	4,310	3,927
Livestock consumption	—	—	5,337	5,337
Minimum carryover	—	—	1,108	1,108
Total	3,170	447	7,755	10,372
<i>Storage space†</i>				
Forms commonly thought of	705	91	1,644	2,500
Forms not commonly thought of	685	787	9,381‡	10,853‡
Total	1,450	878	11,331‡	13,659‡

*Based on 1943 expected human consumption; 1942-3 livestock consumption; sixty days' consumption requirements of non-perishables. Storage space figured as if packed solid.

†From table 1.

‡Exclusive of open-air storage.

§On the basis of 7 pounds of feed to 1 pound of carcass meat.

Over half our consumption by volume is perishables, which require special care and types of storage. The space required for feed concentrates for our livestock for a year is about a third greater than that for humans, or 5,337 million cubic feet. The space for a minimum carryover of human food and livestock feed is 1,108 million cubic feet. All together, these needs for a year would require 10,372 million cubic feet of space, or 77 cubic feet for each person in this country. Of course, we do not need that much space because not all of our food and feed is produced in one day, to be stored for use over a full year. Some of our consumption is "out of the field", and to some extent we can make double use of storage space within a year.

Crops, in the main, are highly seasonal in production and we must store much of our annual needs. For instance, half of our production of vegetables for canning is within a period of about one month, and four-fifths of it within a period of 2½ months.

Meats and livestock products, which are about one-third of our diet by volume, are far less seasonal in their production than the crops. But feed crops must be stored seasonally for the livestock, thus making a large seasonal storage requirement even for our livestock industries. In fact, the livestock feed necessary to produce the meat and livestock products we consume is many times the volume of the products themselves. The storage space required in 1942-3 for the livestock feed-concentrates alone, aside from the roughage, was over four times as great as for our year's consumption of meats, dairy products, eggs, fish, and animal fats. Feed for livestock is our big storage need, and will remain so as long as we maintain our heavy production of livestock and livestock products.

Amount of Excess Storage Space Available

In judging how much storage space we have for food to be supplied to others than the people in the United States, we must deduct our domestic needs from our total storage space available. On the surface, it would appear that we had about 3,000 million cubic feet of excess space (13,353 minus 10,372), or about 29 per cent more storage space than required for our own needs (table 2). This would seem to be enough to store up the food needs for about 100 million people for one year, if we fed them the same quantity as we eat, and if we did not include any storage of feed for their livestock.

The figure thus arrived at is not a correct one, for practical purposes. It needs several adjustments. The most important is the amount of space that is not usable. Although commercial storages can be quite fully utilized in case of need, large proportions of our storage space is on farms and in homes where nothing like full use is practicable. Farm and home storages are highly important and useful for home use and for storage for feed for the farmer's own livestock, but beyond that—for instance, to store butter for starving Europeans and Asiatics—it might as well be forgotten. As far as storing food for other countries is concerned, use of our excess storage capacity is largely restricted to products like grains which could be held on farms where produced for later sale.

The above comparison overstates the true figure also by the amount of space needed for non-food items, that must be stored in the space we have included in this listing. Also, much of the cubic space of commercial storages cannot be used, as products cannot be stored solidly and to the roof.

We have been rapidly increasing our livestock industry, which increases the need for storage space required for their feed and thus rapidly reduces our excess over domestic needs.

On the other side, this comparison ignores the points previously mentioned, to the effect that we need not store at one time all our domestic requirements for human food and for livestock feed. Also, a given amount of storage space would represent the annual needs for a larger or smaller number of people, dependent on the types of food stored and their degree of concentration; the contrast in feeding power per cubic foot of food is tremendous between products like fats, grains, and dehydrated products compared with products like fresh fruits and vegetables.

Taking all these factors into account, it is difficult to find any great amount of usable space unless we find some way to make greater use of farm, home, and open-air storage, or unless we construct additional storage space. Home storage is discouraged by rationing and the public condemnation of hoarding. Greater use of farm storage is difficult to accomplish, except by vague and indirect methods. Open-air storage has limited usefulness. Construction of additional storage space would use critical materials, and would be expensive in view of the short time it would be needed.

For many foods, loss of quality makes long-time storage prohibitive in spite of all other considerations.

P. A. HARPER

RESULTS OF THE FARM MANAGEMENT SURVEY ONEIDA COUNTY, 1942-43

A farm management survey of 102 Oneida County farms was made for the 12-month period ended April 30, 1943. The survey was made in the west central part of the County in the vicinity of Vernon Center. The general soil type of most of the area is Ontario Loam and the area is typical of Land Class IV and the better parts of Land Class III.

The area included 202 farms and 181 other residences. Of the 202 farms, 141 were dairy farms selling milk at wholesale in 1942-43. Of the 39 dairy farms not enumerated 11 were not visited, 8 had had a change of operator during 1942-43, 8 were run by operators who were primarily not dairymen, and the remainder were not enumerated for various miscellaneous reasons. More than 1 farm out of 5 in the area was either part-time or had a very small business. A great many people lived in the area but worked elsewhere. In fact, nearness to important industrial centers like Utica and Rome had a pronounced effect on the farming.

The 12 months covered by this survey were part of a period of rapidly rising prices of farm products and costs of farm operation. Because prices were rising faster than costs and because of a good crop season, the year was a favorable one compared with other years in farming, though not so favorable compared with incomes of industrial workers.

For dairymen included in the survey the average price received for milk of 3.7 per cent test was \$2.89 per 100 pounds, or about 75 per cent above the 1910-14 level. Purchased dairy rations cost on the average \$47 per ton, or 43 per cent above the 1910-14 average. Farm wages per month with board on farms which had such labor averaged \$63 per month, or about 120 per cent above the 1910-14 level. In New York State as a whole costs in dairy farming including feed, labor, machinery, buildings, fer-

tilizer, taxes, insurance, and the like were about 75 per cent higher than the 1910-14 level. The average size of herd in the area was 21 cows. The smallest dairy studied had only 6 cows and the largest had 75, but nearly two-thirds had herds of 15 to 40 cows.

The average size of the 102 farms was 129 acres operated per farming unit. Many of the farms were small. Sixty-two acres of land were used for crops, 50 for pasture, and 11 acres were in woods. Most of the crop land was used in growing feed crops; 90 per cent was in hay, spring grain, and corn for silage. Crop yields were good. This was partly a result of the favorable growing season in 1942, and partly a result of the productive soil. The average yield of hay was 2.2 tons per acre, and of corn silage 11 tons.

Of the 102 farmers, 73 owned all the land which they operated, 26 owned some land and rented additional land, and only 3 rented all of their land. The 73 full owners had an average of 125 acres per farm. A number of these included what was formerly 2 or more farm units. One-fourth of the farm owners in the area enlarged their businesses by renting additional land in 1942. On the average, these farmers owned 100 acres and rented 40 acres. Most of the additional land was cash rented, and was on small farms where the house was used as a residence for a man who worked in town. This enabled the 26 farmers to enlarge their businesses with a relatively small capital outlay.

The average investment was about \$15,000 per farm of which about one-half was in real estate and one-third in livestock (table 1). Land and buildings were valued at approximately \$65 per acre.

TABLE 1.—FINANCIAL SUMMARY
102 farms, Oneida County, 1942-43

Items	Average of 102 farms
Total capital	\$15,000
Receipts	
Milk sold	\$4,183
All other	1,066
Total	5,249
Expenses	
Purchased grain	990
Hired labor and board	493
Unpaid family labor	464
Livestock bought	619
Machinery and equipment	678
All other	912
Total	4,149
FARM INCOME	1,099
Interest on average capital at 5 per cent	750
LABOR INCOME	1,230
Farm privileges	536
LABOR EARNINGS	1,766

Total receipts averaged about \$6,150 per farm—reflecting the high price level of the period under study. Milk sales of \$4,183 accounted for 68 per cent of the total receipts. Crop sales were \$369, or 6 per cent and eggs and poultry contributed 4 per cent of the total. Income from work off the farm, including man labor, machine work, and trucking accounted for 2 per cent of the total receipts. However, only farms whose operators were primarily farmers were enumerated in the survey.

The total expenses, including all the ordinary items of farm operation but excluding any interest charges and any charges for the farmer's own time, amounted to \$4,149 per farm. Purchased grain and hired and family labor each amounted to about \$1,000 per farm and accounted for nearly one-half of the expenses.

The average labor income amounted to \$1,230. This probably represents the highest level of income in this area since at least World War I. A similar survey of representative groups of dairy farms in five widely scattered areas of the state showed an average labor income of about \$430 in 1939-40. Numerous surveys during the twenties indicated that dairy farmers in New York made labor incomes that averaged between \$500 and \$600 in that period.

In addition to labor income these farmers had a house in which to live and farm products furnished by the farm. The average value of these items was \$536 at farm prices. This amount added to the labor income made average labor earnings of \$1,766.

L. C. CUNNINGHAM AND S. W. WARREN

THE MILK SUPPLY FOR THE SYRACUSE MARKET

About 1,000 dairymen supplied the Syracuse market in 1943. From the center of the city to the outer borders of the milkshed, the maximum distance was about 45 miles. A larger part of the production area was west of Syracuse than to the east. Within and adjacent to the production area were many country milk plants supplying the New York City market, a few cheese factories, and numerous small local milk plants, all of which compete with plants approved for the Syracuse market.

Distributors in Syracuse reported the pounds of milk delivered by each patron on January 5, 1943, and January 5, 1944, and the hauling methods and rates. Changes in patrons between the two dates were ascertained, including where new patrons had been obtained or where former ones had gone. Milk from each farm was traced, regardless of changes in operators.

TABLE 2.—SUPPLY OF MILK FOR THE SYRACUSE MARKET ON JANUARY 5, 1943 AND 1944

Group of producers	Number of producers	Pounds of milk	Per cent of production	Per cent of supply
January 5, 1943				
Stayed with same dealer throughout following year*	864	238,800	85	86
Stayed in Syracuse market but delivering to different dealer a year later*	30	12,340	4	5
Not producing milk for sale a year later	95	18,500	0	7
Delivering to country plant a year later	16	3,650	1	2
Delivering to local retail plant a year later	3	1,100	0	1
Delivering to cheese factory a year later	3	200	0	1
All groups	1,020	276,740	100	100
January 5, 1944				
Stayed with same dealer throughout preceding year*	804	221,740	87	80
Stayed in Syracuse market but delivering to different dealer a year earlier*	39	13,440	5	5
Not producing milk for sale a year earlier	44	6,740	2	3
Delivering to country plant a year earlier	79	6,700	2	3
Delivering to local retail plant a year earlier	7	1,030	0	1
Delivering to cheese factory a year earlier	0	0	0	0
All groups	901	253,760	100	100

*The pasteurizing plant of Perle Dairy was closed during the year following January 5, 1943, and its operations consolidated with Netherland Dairy. In this tabulation, the two buyers were considered as a single dealer.

†Less than one per cent.

Eighty-five per cent of the dairymen delivering milk on January 5, 1943, were delivering to the same city plant a year later (table 1). Another four per cent of the producers had shifted to a different distributor in this market. Producers changing from one dealer to another had the larger dairies and during the year increased their deliveries by 9 per cent. Apparently dairymen with larger-than-average and expanding production were inclined to look for a better market.

Eleven per cent of the dairymen supplying the Syracuse market on January 5, 1943, were out of production or delivering milk to other markets a year later. Of the 117 producers in this group, 95 were no longer producing milk for sale. This loss was partly offset by 88 new producers; one-half had not been producing milk for sale a year earlier and one-half transferred from other plants. The net decline in number of producers amounted to 3 per cent.

Deliveries of milk declined 9 per cent between January 5, 1943, and January 5, 1944. The decrease was greater for small dairies than large ones; 18 per cent for dairies with average deliveries of less than 200 pounds and 4 per cent for dairies with average deliveries of 500 pounds or more. Most of the difference was due to more small dairies going out of production.

Eighty-eight per cent of the dairymen supplying the Syracuse market in January 1944 hired their milk hauled (table 2). The average hauling rate increased about one per cent per 100 pounds during the year, from 19.1 cents to 20.0 cents. Syracuse rates are about five cents higher than rates charged for hauling to plants approved for the New York City market and five cents lower than rates charged in the Rochester market.

TABLE 2.—HAULING RATES FROM FARMS TO CITY PLANTS IN THE SYRACUSE MARKET, JANUARY 1943 AND JANUARY 1944

Rate per 100 pounds in cents†	Number of producers		Per cent of producers	
	1943	1944	1943	1944
7	2	2	*	*
9	1	0	*	0
10	1	1	*	*
12	2	2	*	*
15	225	125	22	13
17	2	0	*	0
17½	1	0	*	0
18	40	29	4	3
20	506	517	50	52
21	1	23	*	2
22½	0	1	0	*
23	7	26	1	3
25	66	111	6	11
26	0	1	0	*
30	12	14	1	1
Hired hauling—rate not reported	15	15	1	2
No charge—hauled own	130	120	13	12
No charge—exchanged hauling	9	4	1	*
Total	1,020	991	100	100

*Less than one per cent.

†Does not include 3 per cent federal tax, which was charged in addition.

STEWART JOHNSON

70
207-D
THE WHITE HOUSE
WASHINGTON

May 23, 1944.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Please read the enclosed
and return for my files.

Can you do anything to
get good old Bill Myers to help
us?

F. D. R.

OFFICE OF THE VICE PRESIDENT
WASHINGTON

May 19, 1944

207-E
THE WHITE HOUSE
MAY 20 9 04 AM '44
RECEIVED

The President

The White House

Dear Mr. President:

Our old friend Bill Myers doesn't seem to be helping us on the subsidy fight. In this connection the enclosed letter from a Farmers' Union friend is very interesting. It is my observation that some of the larger businessmen are using the subsidy fight as a most effective method of keeping agriculture and labor divided.

Respectfully yours,

H A Wallace

H. A. Wallace

*Ignore Cornell Bull to be if any
MWA*

NATIONAL UNION FARMER

OFFICIAL PAPER OF FARMERS' EDUCATIONAL AND
CO-OPERATIVE UNION OF AMERICA

OFFICE OF THE EDITOR



ADDRESS ALL CORRESPONDENCE
TO:
3801 E. 48TH AVE.
DENVER, COLO.

May 12, 1944

The Honorable Henry A. Wallace
Vice-President
Washington, D. C.

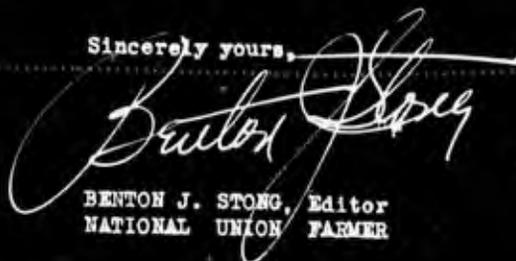
Dear Mr. Vice-President:

Ringling Brothers has a clown whose most uproarious trick is to kick himself in the face.

Inclosed please find one of 25 copies of a pamphlet I have just received under the penalty privilege from the Extension Service in New York State.

Please note the marked passages on the front and back pages.

Sincerely yours,



BENTON J. STONG, Editor
NATIONAL UNION FARMER

BJS:dsk
Inclosure: 1.

P. S. You will recall that this is the federally supported agency which took over the job of anti-inflation education at the beginning of the stabilization program.

FARM ECONOMICS

Department of Agricultural Economics

NEW YORK STATE COLLEGE OF AGRICULTURE
CORNELL UNIVERSITY, ITHACA, N. Y.

Published and distributed in furtherance of the purposes provided for in the Act of Congress of May 8, 1914. L. R. Simons, Director of Extension Service

No. 139

FEBRUARY 1944

Year	Prices 40 basic com- modities ¹	Farm prices		United States food			Prices articles farmers buy ⁴	Costs dairy farm- ing ⁷	Cost of living ⁸	Earnings factory workers ⁹
		New York ²	United States ³	Farm prices ⁴	Retail prices ⁵	Costs distrib- ution ⁶				
1915	106	98	98	106	107	106	107	104	102	104
1916	132	114	118	120	117	109	125	116	112	116
1917	197	169	175	182	156	127	148	141	128	132
1918	213	186	202	201	180	158	173	161	163	164
1919	218	206	213	214	194	173	198	178	174	190
1920	243	217	211	212	207	203	202	201	204	227
1926	150	159	145	154	174	192	168	170	178	234
1933	82	82	70	69	106	141	120	105	132	176
1934	101	97	90	83	122	158	129	114	136	187
1935	112	102	108	109	143	175	130	120	139	196
1936	118	113	114	116	146	173	128	124	140	204
1937	131	115	121	124	152	181	134	136	145	221
1938	109	98	95	101	139	174	127	129	143	211
Aug. '39	103	103	88	92	132	168	123	124	140	222
1939	110	101	93	97	135	171	125	127	141	220
1940	116	107	98	101	136	167	126	128	142	228
1941	136	123	122	124	148	167	133	144	149	267
1942	156	152	157	157	171	179	151	172	165	323
1943	—	192	188	186	—	—	163	—	—	376
Nov. '42	157	164	169	167	173	180	155	180	169	343
Dec.	160	162	178	169	174	188	156	191	170	349
Jan. '43	163	172	182	176	181	186	157	194	171	354
Feb.	164	174	178	180	185	186	159	195	171	362
Mar.	167	183	182	185	192	189	160	201	174	371
Apr.	167	193	185	189	194	187	162	202	176	375
May	167	206	187	193	197	182	163	205	177	373
June	167	218	190	194	191	170	164	207	177	376
July	167	201	188	191	181	154	165	207	175	371
Aug.	168	185	193	188	179	151	165	206	175	379
Sept.	169*	186	193	186	178	166	165	209	175	382
Oct.	169*	200	192	187	178	170	166	212	176	388
Nov.	168*	204	192	186	175*	167*	167	213	176	393
Dec.	—	197	197	186	—	—	168	—	—	389

Index numbers on pre-World-War-I base. Footnotes on page 3509-30. *Preliminary.

Footnotes to standing tables

¹Warren, G. F., and Pearson, F. A., World Prices and the Building Industry, p. 21, 1937; and Farm Economics, No. 108, p. 2621, June 1938, and later issues. Prices of hemp and silk have not been available since February and April 1942, respectively.

LOOKING BACK AT 1943 AND AHEAD AT 1944 IN NEW YORK AGRICULTURE

The year 1943 will long be remembered by New York farmers as one of unparalleled difficulties in farm production. Continuous wet weather greatly delayed the planting of spring crops and interfered with the spraying of fruit and other farm work. The inevitable result was reduced acreage and production of canning factory peas, oats, barley, corn, onions and cabbage. In spite of unfavorable weather, shortages of machinery and supplies, with less labor available and much of that inexperienced, New York farm families turned in another magnificent performance in food production. They increased the length of their already long working day to the physical limit and produced the maximum of food permitted by weather and other physical conditions. The production of New York crops was 15 per cent below the all-time record of 1942. Since livestock production did not decline, the total food production of the State was only 6 per cent below the all-time record of 1942.

For the United States as a whole weather conditions were more favorable. Last year was the seventh consecutive year of unusually large crops. While the total production of United States food crops was 9 per cent below the all-time record of 1942, it was equal to the high level of 1941. Total food production exceeded the previous record of 1942 because of the increased output of meat which was produced in large part on 1942 crops.

During the past 30 years the number of New York farms has declined from almost 220,000 to about 150,000, and the number of persons engaged in agriculture from almost 380,000 to a little over 200,000. In spite of this decrease in the labor force the total production of New York farms has been maintained by the use of labor-saving machinery and has resulted in an increase in labor efficiency of about 75 per cent.

During 1943, the labor situation on New York farms has become acute because of the competition of nearby war industries and the demands of the armed services. Labor will continue to be the number one headache of New York farmers in 1944. The most critical problem will be that of obtaining skilled men for year-round work on farms. More young men will be called for the armed services not only from farms but also from small town industries on which farmers are dependent for feed, supplies, machinery repairs and other services. This will inevitably throw an even greater burden on family labor and especially on farm women.

The harvesting of 1943 crops was accomplished with relatively small loss because of the splendid teamwork of many agencies which cooperated in the New York farm labor program. The patriotic response of the high

*Calculated from prices paid to producers as published by the United States Department of Agriculture. Includes subsidies since October 1943. The indexes without subsidies are: October, 1941; November, 1941; December, 1941; and year 1943, 1940.

**Crops and Markets, Vol. 11, No. 9, p. 375, September 1944, and later numbers.

†Prices paid to farmers for food materials and prices of the same food materials at retail. Farm prices as reported by the United States Department of Agriculture and retail prices as reported by the United States Bureau of Labor Statistics. For methods of calculation, see Farm Economics, No. 44, p. 617, February 1947.

‡Cost of assembling, transporting, processing, and distributing food. For methods of calculation, see Farm Economics, No. 30, p. 830, January 1935.

§Index Numbers of Prices, Taxes, and Interest Payable by Farmers, 1910-24 = 100, mimeographed report, United States Department of Agriculture, Bureau of Agricultural Economics, May 1937.

¶Page 3321, Revised in 1943. *Page 3090.

‡Based on data furnished by the Department of Labor of New York.

§Prices paid to producers for farm products in the United States and in New York are those reported by the United States Department of Agriculture, except for prices of milk in New York, which are based on a revised series, Spencer, L. A. Revised Series of Milk Prices for New York, Farm Economics, No. 111, pp. 3787-3790, February 1939; and of butter in New York City, which are based on creamery extra butter; and of eggs in New York City, which are based on a revised series of the highest prices of the best large nearby white eggs, Van Wagenen, A., Prices for Nearby White Eggs at New York City, Farm Economics, No. 122, p. 2030, January 1941.

school boys and girls, of thousands of men and women from towns and cities to the call for help to harvest vegetable and fruit crops was an inspiring example of community cooperation in a time of great need. This problem, too, will be more difficult next year and even greater efforts will be required to save the food crops that farmers will produce.

The only substitute for unavailable labor is the greater use of labor-saving machinery. If present programs materialize into actual machines at the time they are needed, the supply will be greater than in 1943. However, even at best, there will be only about one-half of the number of the most important labor-saving machines needed by New York farmers and the present stock of machinery on farms will continue to deteriorate. Adequate supplies of repair parts and the farm machinery repair program, supported by the State War Council, will be of even greater importance in keeping farm machinery rolling in 1944.

Feed will be a major problem of New York dairymen in 1944. Farmers have good stocks of hay from last year's excellent crop which should carry their livestock until the pasture season. However, there is a severe shortage of homegrown grains because of the near failure of the oats and barley crops and many farmers are having difficulty in obtaining adequate supplies of mixed feeds of proper quality for their cows and hens.

Under the stimulus of the government program, livestock production has outrun feed supplies. The facts have been clearly evident for months. However, livestock numbers, especially hogs in the Corn Belt, are continuing to expand in spite of inadequate total feed supplies, because ceiling prices on feeds have prevented feed prices from checking the expansion of livestock at a point where all the animals could be fed.

Although the present demand for meat and other livestock products is almost unlimited, the total production of these foods is determined by the total available feed supplies. The amount of each will depend on existing price relationships. The prices of hogs have been more favorable in relation to feed than those of milk and eggs throughout the present war period. As a natural result the number of hogs being marketed exceeds the capacity of the stockyards while the production of milk is declining relative to last year.

Storage stocks of feed grains at Buffalo are about average for this season of the year. Normally, these stocks only supplement the continuous flow of corn by rail from the midwest throughout the winter and by themselves would not provide more than half of the feed grain required to carry our livestock until the pasture season. The flow of corn, however, has been practically blocked by artificial price relationships. The relatively high government-guaranteed floor price of hogs and the relatively low government ceiling price on corn have made it impractical for mid-western farmers to sell their corn to eastern markets where it is required for milk and egg production. An adequate and steady flow of corn must be reestablished if the supply of fresh milk for consumers is to be protected. The critical feed months for New York dairymen will probably be March and April of this year.

Although the ceiling price has prevented New York farmers from getting their usual supplies of corn, it has not held the line on the cost of dairy and poultry feeds. Farmers have had to pay about \$15 more per ton for oats and barley than the ceiling price on non-available corn in order to attempt to maintain essential milk and egg production.

(Continued on page 3530)

UNITED STATES
PRICES PAID TO PRODUCERS FOR FARM PRODUCTS¹⁰

	Corn		Oats		Wheat		Barley		Rye		Buckwheat		Flaxseed		Beans		Cotton		Hay		Potatoes		Sweet potatoes		
	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.
1910-14 average.....	64.8	39.0	88.0	61.4	75.4	71.3	168.8	2.26	12.4	11.04	69.6	87.6													
July 1914.....	75.3	38.8	76.0	47.5	62.1	65.5	136.0	2.22	12.4	11.29	81.5	82.6													
1915.....	72.4	45.1	112.0	57.4	93.0	83.1	157.4	2.88	8.0	10.57	52.5	82.2													
1916.....	75.7	43.6	117.3	60.0	93.2	80.5	108.0	4.23	13.5	10.54	103.8	80.1													
1917.....	141.4	61.4	201.2	107.4	156.0	154.2	281.4	7.20	21.5	13.42	180.0	121.0													
1918.....	138.4	76.8	203.7	124.6	178.4	177.8	358.3	6.20	29.5	18.10	115.7	143.0													
1919.....	156.6	69.4	214.7	105.4	141.3	135.6	402.2	4.41	29.0	20.01	130.4	156.0													
1920.....	144.1	70.7	224.7	120.2	161.1	162.8	301.5	4.08	32.1	21.20	240.3	175.7													
1921.....	69.0	38.0	135.1	55.3	80.2	85.1	207.1	3.17	15.1	13.00	185.7	156.3													
1922.....	77.4	30.3	86.0	54.9	51.8	58.0	152.1	1.00	11.6	10.37	48.3	73.0													
1923.....	70.7	34.3	95.0	58.0	60.1	65.8	171.0	2.27	11.8	8.93	90.3	85.3													
1924.....	94.8	41.0	107.7	70.3	81.4	81.3	106.3	2.03	11.1	10.35	87.5	91.8													
1925.....	49.0	25.5	66.1	43.3	44.8	64.9	170.5	0.79	8.3	7.55	55.5	76.0													
August 1930.....	45.7	25.4	54.5	34.5	34.4	54.2	135.0	1.58	8.7	6.77	69.3	69.7													
1939.....	47.6	28.9	62.6	39.3	38.7	57.2	159.8	1.71	8.7	6.95	67.0	75.4													
1940.....	50.0	32.0	72.9	41.7	45.3	63.1	159.6	1.82	9.6	7.82	74.0	85.2													
1941.....	64.3	36.1	84.0	49.0	48.8	60.3	165.7	2.31	13.3	8.10	64.2	94.4													
1942.....	70.5	41.4	101.9	59.6	56.9	80.0	206.6	2.82	18.5	10.05	109.0	108.0													
1943.....	102.7	65.0	127.2	87.0	83.3	112.8	280.7	3.30	10.9	12.77	149.2	197.2													
1944.....	75.0	44.3	104.4	57.9	50.4	76.1	223.0	3.05	10.2	9.84	108.4	103.5													
November.....	80.2	47.4	116.3	62.2	59.3	79.6	237.0	3.07	10.6	10.46	111.6	110.3													
December.....	88.0	52.5	117.5	68.3	61.3	87.7	240.0	3.15	10.7	11.20	117.8	121.4													
1945.....	90.4	55.5	119.5	70.7	64.1	97.3	263.0	3.22	10.7	11.94	125.7	129.8													
January.....	94.8	58.4	124.7	74.8	68.9	103.5	293.0	3.24	10.9	12.28	145.1	153.9													
February.....	100.2	61.1	122.3	77.1	66.5	108.0	298.0	3.23	10.8	12.01	160.8	170.2													
March.....	104.8	61.2	122.5	76.4	71.9	113.6	297.0	3.24	10.1	12.66	190.7	225.1													
April.....	100.0	64.8	124.0	83.0	70.7	118.0	283.0	3.30	10.0	12.20	188.0	222.0													
May.....	103.8	65.6	126.0	92.0	99.9	125.0	283.0	3.27	10.6	11.90	197.0	207.0													
June.....	109.0	65.5	127.0	99.0	88.4	130.0	280.0	3.27	10.8	12.30	190.0	276.0													
July.....	109.0	66.0	130.0	96.0	94.0	117.0	284.0	3.43	10.3	12.90	134.0	231.0													
August.....	107.0	74.4	135.0	103.0	101.0	114.0	270.0	3.54	10.3	13.70	158.0	196.0													
September.....	105.0	78.2	137.0	103.0	102.0	123.0	284.0	3.64	10.4	14.50	133.0	177.0													
October.....	111.0	70.0	143.0	105.0	107.0	133.0	285.0	3.05	10.9	15.20	135.0	188.0													

INDEX NUMBERS (CORRESPONDING MONTHS, 1910-14 = 100)

	Corn		Oats		Wheat		Barley		Rye		Buckwheat		Flaxseed		Beans		Cotton		Hay		Potatoes		Sweet potatoes	
	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14	1910-14
1915.....	113	113	128	93	128	113	93	127	72	80	73	94												
1916.....	117	100	133	107	139	122	115	188	109	88	149	91												
1917.....	218	159	220	174	215	219	167	223	173	112	273	138												
1918.....	232	194	221	202	246	243	212	274	238	152	100	163												
1919.....	242	174	244	171	195	214	238	195	230	173	200	170												
1920.....	223	200	253	195	223	222	214	251	175	158	201													
1921.....	108	97	154	90	111	117	123	149	122	109	97	178												
1922.....	110	98	98	89	72	79	90	87	94	89	69	84												
1923.....	115	118	85	109	95	83	90	101	100	95	75	143	97											
1924.....	146	105	122	114	112	116	113	130	90	87	120	105												
1925.....	70	64	73	70	62	80	101	75	67	63	80	88												
August 1930.....	64	63	64	60	49	71	79	69	70	59	78	94												
1939.....	71	72	72	64	53	78	95	76	70	58	96	86												
1940.....	91	83	84	68	64	85	95	81	77	64	101	97												
1941.....	99	90	95	70	67	82	98	102	107	68	92	108												
1942.....	123	119	116	97	79	109	134	195	149	84	157	144												
1943.....	158	163	145	141	115	154	166	159	160	107	214	225												
1944.....	120	115	109	96	69	106	137	126	59	85	181	136												
December.....	137	122	128	103	76	112	153	134	101	85	184	133												
1945.....	151	136	134	112	86	124	149	160	95	188	155													
January.....	132	141	134	111	88	127	154	145	161	90	191	150												
February.....	157	146	138	110	90	146	163	140	160	102	217	170												
March.....	161	151	138	120	90	151	172	152	169	104	245	192												
April.....	160	149	137	118	100	155	168	147	160	104	274	230												
May.....	137	155	137	130	108	150	161	145	157	99	271	231					</							

NEW YORK

PRICES PAID TO PRODUCERS FOR FARM PRODUCTS¹⁰

	Corn	Oats	Wheat	Barley	Buck- wheat	Beans	Hay	Pota- toes	Apples	Horses	Hogs
	bu.	bu.	bu.	bu.	bu.	bu.	ton	bu.	bu.	head	cwt.
1910-14 average	75	48	90	77	75	3.38	15.40	71	83	177	7.01
July 1914	81	48	98	71	92	3.35	15.00	90	78	171	8.00
1915	85	50	110	78	87	3.20	15.42	90	64	173	7.95
1916	91	53	124	82	93	4.08	14.60	117	77	171	8.40
1917	105	75	211	135	164	7.74	12.48	204	108	168	13.64
1918	105	91	200	150	181	7.23	17.80	121	110	160	10.30
1919	177	83	219	130	164	5.10	21.90	137	178	162	16.35
1920	174	101	235	151	172	4.80	25.05	232	160	160	13.00
1920	90	50	140	74	80	3.52	14.34	206	109	126	12.22
1922	96	48	87	61	57	3.04	11.95	45	101	144	9.11
1923	90	45	98	63	68	2.50	9.39	108	100	159	9.55
1927	104	53	110	79	87	3.42	10.47	85	112	164	9.00
1928	97	38	73	56	64	1.82	7.20	58	72	136	8.38
August 1939	59	37	63	47	53	1.65	9.80	80	75	420	6.00
1939	63	30	77	52	50	1.75	8.00	81	83	147	7.20
1940	71	43	87	55	62	2.08	11.15	75	84	143	6.92
1941	79	45	95	59	60	3.10	10.97	70	93	134	8.93
1942	92	58	115	73	84	3.07	13.28	102	123	143	12.80
1943	113	75	152	102	121	3.38	19.12	175	202	153	14.18
1942	November	91	53	100	70	2.97	10.20	110	120	145	14.00
December	93	54	122	73	80	2.97	10.20	115	120	140	14.10
1943	January	99	57	130	78	95	3.00	11.20	120	140	14.60
February	102	60	137	83	110	3.00	11.50	120	140	14.90	
March	105	63	140	87	120	3.12	12.00	155	150	150	16.30
April	107	67	150	94	125	3.30	12.00	205	170	157	15.00
May	100	71	150	90	125	3.30	12.50	260	230	160	14.80
June	113	76	150	105	120	3.30	12.70	285	275	165	14.30
July	118	75	152	104	131	3.30	10.80	185	285	165	14.00
August	121	76	157	105	123	3.48	9.90	150	290	155	13.90
September	122	82	161	109	120	3.48	12.00	150	315	150	13.60
October	122	90	165	124	116	3.60	13.50	145	290	150	13.70
November	120	90	163	121	125	3.50	13.50	155	225	145	13.30
December	122	92	165	123	137	3.60	13.80	155	235	145	13.00

INDEX NUMBERS (CORRESPONDING MONTHS, 1910-14 = 100)

	Corn	Oats	Wheat	Barley	Buck- wheat	Beans	Hay	Pota- toes	Apples	Horses	Hogs	
1915	113	117	120	101	116	134	100	70	77	98	93	
1916	121	110	125	106	124	192	95	105	91	97	110	
1917	224	150	213	175	210	325	81	287	130	95	183	
1918	260	190	211	195	241	395	116	170	143	95	215	
1919	235	173	221	169	210	214	143	193	214	94	215	
1920	232	210	238	190	220	204	103	327	204	90	183	
1920	120	104	151	90	110	148	93	200	131	71	161	
1922	115	100	88	79	75	82	78	63	122	81	120	
1923	120	94	90	82	91	195	61	152	120	90	125	
1927	130	110	117	103	110	144	68	120	135	93	130	
1928	80	79	70	73	85	70	47	82	87	88	110	
August 1939	77	73	66	61	65	67	66	61	100	70	85	
1939	84	81	78	68	75	74	58	114	100	83	95	
1940	95	90	88	71	83	87	72	106	101	81	70	
1941	105	94	96	77	80	120	71	99	112	76	117	
1942	123	121	116	95	112	120	86	144	148	81	169	
1943	151	156	154	134	161	142	79	240	243	86	180	
1942	November	118	115	124	93	104	123	68	106	185	83	188
December	124	115	124	97	111	122	71	180	162	80	192	
1943	January	138	127	131	104	134	128	73	188	160	81	190
February	142	128	127	111	133	121	76	188	161	80	190	
March	148	134	140	113	160	135	77	228	167	85	190	
April	151	137	150	122	171	145	78	207	165	86	192	
May	149	142	150	122	169	143	70	261	204	90	195	
June	151	140	147	131	169	144	78	407	281	92	193	
July	155	147	150	133	150	139	68	268	324	94	187	
August	157	149	154	136	152	141	67	170	290	87	180	
September	146	167	160	143	158	141	79	166	308	90	171	
October	154	191	170	165	157	150	80	210	328	85	173	
November	159	196	168	161	174	153	91	277	346	83	170	
December	163	196	168	164	190	152	90	242	318	82	176	

NEW YORK

PRICES PAID TO PRODUCERS FOR FARM PRODUCTS¹⁰

	Chick- ens	Eggs	Eggs, N.Y.C.	Butter	Butter, N.Y.C.	Milk	Milk cans	Veal calves	Beef cattle	Sheep	Lambs	Wool
	lb.	doz.	doz.	lb.	lb.	cwt.	head	cwt.	cwt.	cwt.	cwt.	lb.
1910-14 average	14.8	28	35.6	31	30.1	1.60	56.03	8.33	5.47	4.22	6.38	21
July 1914	10.4	22	29.3	27	27.0	1.24	66.00	9.50	6.20	4.50	6.00	21
1915	15.6	29	36.7	31	29.9	1.56	65.89	9.21	3.80	4.77	7.33	27
1916	16.6	33	40.8	33	34.1	1.71	67.41	9.90	6.23	5.69	8.78	33
1917	28.8	43	51.7	43	42.7	2.38	83.30	12.85	7.95	8.52	12.02	53
1918	27.3	51	63.6	50	51.0	3.20	93.83	14.08	8.84	9.84	15.65	66
1919	31.7	50	69.5	60	60.5	3.53	110.98	16.38	9.25	9.93	14.25	90
1920	33.3	61	74.3	64	61.4	3.53	106.08	15.64	8.25	8.16	12.67	42
1920	26.6	40	51.1	48	44.3	2.63	90.67	11.87	5.93	5.80	12.26	27
1925	17.8	31	35.5	32	39.6	1.70	74.00	8.08	3.31	3.88	7.77	23
1926	18.5	29.2	35.2	35	33.0	1.88	82.00	8.53	3.54	4.30	8.04	20
1927	18.4	27.7	33.7	30	34.3	1.91	81.00	9.40	5.92	4.70	7.88	25
1928	18.5	27.8	34.0	31	27.8	1.74	80.00	9.33	5.78	3.90	9.54	32
August 1939	16.8	26.0	31.6	27	24.3	2.00	75.00	8.80	5.40	3.45	8.10	23
1939	17.0	24.0	30.5	28	26.0	1.76	77.00	9.20	5.67	3.68	8.40	25
1940	16.3	25.0	30.6	31	26.5	1.95	81.00	9.48	5.88	4.38	8.62	32
1941	18.7	30.0	36.0	30	34.3	2.31	92.00	11.04	6.75	4.72	10.10	30
1942	22.4	37.7	42.8	42	40.1	2.70	119.00	13.74	9.23	5.91	12.13	43
1943	20.1	44.9	47.8	51	—	3.11	150.00	15.50	10.02	6.85	13.73	45
1942	November	23.0	47.8	55.5	48	46.5	127.00	14.80	9.80	6.00	12.90	44
December	25.1	48.4	53.0	49	46.5	1.18	140.00	14.80	10.40	6.50	12.00	44
1943	January	27.3	45.8	44.6	51	47.4	116.00	15.50	10.80	6.50	14.20	44
February	27.5	38.1	39.7	52	47.1	3.10	150.00	16.00	11.20	6.75	14.70	44
March	28.4	38.1	43.9	53	46.8	3.07	150.00	16.10	11.00	7.00	14.70	45
April	31.4	37.7	42.3	53	46.8	3.07	160.00	15.70	11.10	7.30	14.50	45
May	32.2	38.0	42.7	52	46.8	3.07	160.00	16.10	11.50	7.50	14.50	40
June	31.6	38.0	42.8	50	42.8	3.06	168.00	16.10	11.30	7.00	13.40	40
July	30.8	43.3	48.0	49	41.8	3.17	164.00	16.00	11.60	7.00	13.70	40
August	31.6	47.8	53.1	49	41.8	3.31	170.00	16.00	11.20	7.00	13.20	40
September	30.5	50.5	54.1	50	41.8	3.30	165.00	15.50	11.10	6.80	13.20	47
October	30.3	53.5	57.0	50	41.8	3.00	155.00	1				

(Continued from page 3531)

New York egg production in 1943 was the highest in history and 8 per cent above 1942. Total milk production was about 7.7 billion pounds, a little less than 4 per cent below the record production of 1942. Compared with the corresponding month of 1942, New York milk production has been declining for several months and in November was more than 8 per cent below the same month in 1942. The outlook is for a decline in milk and egg production in 1944 relative to last year.

The maintenance of the fresh milk supply is a vital problem in the health and welfare of the thirteen million consumers who depend on New York dairymen. There are two primary requisites for the protection of milk supplies. The first is an adequate supply of feed of proper quality. The second is a price for milk that will enable dairy farmers to retain necessary labor against industrial competition and to encourage intensive feeding of good cows.

Farm wages have increased rapidly in the present war in order to compete with industry for necessary labor and will probably rise further in 1944. Farm prices started at depression levels in 1939 but have kept pace with farm costs thus far and will probably continue to do so this year.

One of the most unfortunate results of the present war situation has been the public criticism of food prices due to lack of understanding of farm problems. The principal cause of this misunderstanding is the failure to realize that the pre-war period 1935-39 is an unfair base from which to figure relative wartime increases in farm prices and in industrial wages. In spite of considerable employment the hourly earnings of employed industrial workers in 1935-39 were the highest in history up to that time and well above the levels of the boom year 1929. In striking contrast farm prices were still at depression levels and about 25 per cent below 1929.

With average yields, the present levels of farm prices will result in farm incomes which are below the earnings of industrial war workers but are favorable in comparison with farm incomes during the past twenty years. From the standpoint of long-time agricultural welfare, any further marked increase in the general level of farm prices not necessary to meet higher costs is undesirable because it would increase the danger of inflation of land values. In wartime the vital problem is not the level of prices farmers want; it is the level that should be established in the real interest of the nation in order to permit farmers to retain labor against industrial competition, to meet rising costs and to maintain maximum production permitted by weather. While the general level of farm prices is satisfactory, the prices of some essential foods are too low to insure the required production in the face of rising costs.

In spite of shortages and handicaps, New York farm families will do their utmost in food production during 1944 as their vital part in the nation's fight for freedom. The need will be greater while the total production of food is likely to be less than last year. I suggest a four-point program for New York farmers in 1944:

1. Produce the maximum of essential food by operating your farm intensively. These are the times when good farm practices and good farm management pay.

2. Get your debts in shape by reducing excessive debts to a safe basis. Money borrowed for working capital should be paid off when the crops are sold.

3. Avoid speculation in farm land. Don't go heavily into debt expecting to pay it off on the basis of present prices.

4. Build your financial reserves and help finance the war by investing in war bonds to the limit of your available net income.

Your financial welfare in the next two decades depends to a great extent on the wise use of your higher farm incomes in the present war period. The most effective way of avoiding the disastrous results of inflation and deflation is through using your increased income to get your debts in shape and to build a financial reserve in War Bonds.

W. I. MYERS

APPLE PRICES AND PRICING OF APPLES BY GOVERNMENT

The fruit growers in Western New York sell many varieties of apples. Each variety is usually sorted into a number of grades. The grades are a result of differences in color, maturity, soundness, shape, and size of the apples.

The 1942 apple crop produced on forty-five farms in Niagara County included fifty-six varieties. This crop was sorted into eleven different sizes and sixteen different grades. The possible number of variety-grade-size combinations is therefore large. To market that part of the 1942 crop sold for fresh fruit consumption, the Newfane growers sold two hundred ninety-eight different variety-grade-size combinations.

The average prices received for the more important combinations are given in table 1. These prices were net to the grower and did not include the cost of package, storage, freight, or commission. The highest average return for the eleven years was for No. 1, 2½ inch Delicious. This was true, however, in only six of the eleven years. No. 1, 2½ inch Delicious has usually sold from 20 to 50 cents higher than No. 1, 3 inch R.I. Greening. In 1934, however, they each returned an average of \$1.08 per bushel. No. 1, 2½ inch Northern Spy sold for more than No. 1, 2½ inch Delicious in 1939 and 1941, but only half as much in 1934. Perhaps the greatest surprise was when the 1942 crop of No. 1, 2½ inch Baldwin returned \$1.82 per bushel or 8 cents more than No. 1, 2½ inch Delicious. In 1937, No. 1, 2½ inch Baldwin averaged only 20 cents per bushel compared with 61 cents for No. 1, 2½ inch Delicious. For a majority of the combinations given in table 1, prices were the lowest in 1937 and the highest in 1942.

The increase in prices for the various combinations in 1942 over 1937 was extremely variable, ranging from an increase of 10 to 1,000 per cent. Such variations indicate that prices for some of the variety-grade-size combinations were determined quite independently of each other. In wholesale markets, apples are not sold as apples, but as Baldwin, Greening, or McIntosh of a given grade and size.

O.P.A. PRICE CEILINGS

Varieties and grades were not considered by the O.P.A. in establishing price ceilings for apples. To put a ceiling on each variety-grade-size combination would be impractical if not impossible. The ceilings are on a per-pound-of-fruit basis and vary only as to region, season, and type of sale. If effective, such a ceiling lowers the price of high-quality apples. All apples tend to sell at the same price under such ceilings. The growers of high-quality apples are penalized; the growers of inferior fruit rewarded. Effective ceiling prices tend to encourage the production of low-quality fruit and to discourage the sorting of better apples into a high-quality pack.

TABLE 1.—NET RETURNS PER BUSHEL OF APPLES BY VARIETY, GRADE, AND SIZE, NEWFANE, NIAGARA COUNTY, NEW YORK

Season	Combinations that sold at high prices					
	Red Delicious No. 1-2½*	McIntosh No. 1-2½*	N. Spy No. 1-2½*	Baldwin No. 1-2½*	R. I. Greening No. 1-2*	McIntosh No. 1-2¼*
1937-33	\$0.06	\$0.77	\$0.64	\$0.44	\$0.34	\$0.76
1933-34	1.19	0.93	0.96	0.85	0.92	0.80
1934-35	1.08	1.07	0.87	0.91	1.08	0.92
1935-36	0.80	0.67	0.56	0.71	0.66	0.42
1936-37	1.58	1.13	1.26	1.27	1.95	1.09
1937-38	0.51	0.48	0.34	0.20	0.30	0.48
1938-39	1.12	0.84	0.80	0.76	0.82	0.71
1939-40	0.96	0.57	1.12	0.54	0.63	0.35
1940-41	0.82	0.87	0.65	0.61	0.74	0.40
1941-42	1.25	1.08	1.20	1.24	1.10	0.90
1942-43	1.74	1.31	1.43	1.82	1.14	1.17
Average	1.11	0.88	0.88	0.85	0.80	0.74

Season	Combinations that sold at average prices					
	Cortland No. 1-2½*	Jonathan No. 1-2½*	T. King No. 1-2½*	R. I. Greening No. 1-2½*	Wealthy No. 1-2½*	Wealthy No. 1-2¼*
1937-33	0.61	0.59	0.30	0.37	0.50	0.44
1933-34	0.81	0.83	0.64	0.84	0.70	0.62
1934-35	0.88	0.91	0.80	0.80	0.73	0.92
1935-36	0.45	0.62	0.52	0.51	0.52	0.44
1936-37	1.10	1.10	1.08	0.93	0.91	0.82
1937-38	0.39	0.39	0.49	0.32	0.41	0.35
1938-39	0.66	0.70	0.66	0.59	0.59	0.45
1939-40	0.56	0.48	0.54	0.47	0.47	0.43
1940-41	0.60	0.46	0.62	0.59	0.63	0.52
1941-42	0.95	0.54	0.87	0.86	0.85	0.68
1942-43	1.07	1.05	0.96	0.95	1.04	0.79
Average	0.73	0.69	0.68	0.65	0.66	0.57

Season	Combinations that sold at low prices					
	McIntosh Utility	Wealthy No. 1 2¼-2½*	Baldwin Utility	Duchess All grades	Wealthy Utility	R. I. Greening Utility
1937-33	0.44	0.30	0.25	0.24	0.27	0.23
1933-34	0.84	0.55	0.40	0.45	0.30	0.48
1934-35	0.82	0.49	0.55	0.45	0.57	0.44
1935-36	0.30	—	0.20	0.38	0.30	0.28
1936-36	0.72	0.64	0.76	0.53	0.53	0.51
1937-38	0.10	0.37	0.07	0.39	0.28	0.21
1938-39	0.39	0.36	0.48	0.29	0.33	0.33
1939-40	0.11	0.25	0.22	0.27	0.11	0.24
1940-41	0.24	0.30	0.34	0.34	0.35	0.20
1941-42	0.47	0.49	0.44	0.33	0.38	0.36
1942-43	0.53	0.85	0.74	0.43	0.52	0.50
Average	0.46	0.46	0.42	0.37	0.37	0.35

GOVERNMENT PURCHASES

During the latter years of the recent depression, the government followed a program of buying apples from farmers and giving them to their welfare clients. The government's first purchases from the farmers in the Newfane area in Niagara County were made in the spring of 1936. On March 1st of that year, the Newfane growers still had a third of their McIntosh. Most of their 2 inch and 2¼ inch packs were still in storage. If the government had not come to the rescue, some of these apples would probably have remained unsold and would have been dumped. The government bought a majority of these small apples. From the government purchases the grower received, after paying for storage and container, 35 cents per bushel for the No. 1, 2¼ inch McIntosh and 26 cents for No. 1, 2 inch.

The 1936 apple crop sold at unusually high prices and therefore the government did not buy apples in the Newfane area.

TABLE 2.—PER CENT OF MARKET APPLES PURCHASED BY FEDERAL SURPLUS COMMODITY CORPORATION, NEWFANE, NIAGARA COUNTY, NEW YORK

Season	Combinations* selling at			All market apples
	High prices	Average prices	Low prices	
1935-36	2	8	7	6
1937-38	6	28	14	18
1939-40	23	26	21	30
1940-41	0	21	14	15
1941-42	2	14	13	10
Average	7	21	14	16

*On the basis of the season's price the variety-grade-size combinations were classified as selling at high, average, or low prices.

However, the 1937 crop was large and sold for extremely low prices. The government bought a few apples in the fall; more in the winter, but a majority of their purchases were made in the spring. About all of the Greenings and Wealthies and one-third of the Baldwins, that were in storage March 1st, were later sold to the government. For these apples the government paid a net of 22 cents per bushel. This was 7 cents more per bushel than the growers received for apples of like variety, grade, and size sold during the spring to other buyers.

The 1938 crop sold at higher prices and the government made no purchases.

In the next season, 1939-40, the government bought the most apples, but paid about one-fifth less than other buyers. Prices paid by the government and other buyers were compared when apples of like variety, grade, and size were purchased during the same season of the year. Even at these lower prices, the government bought large quantities of apples. Their purchases amounted to 16 per cent of the apples that these farmers sold in the fall and more than 30 per cent of those sold during the winter and spring. The government purchased twenty-one different varieties and fifty-two different variety-grade-size combinations. For two-thirds of these comparisons, the government prices were the lower.

TABLE 3.—NET RETURNS PER BUSHEL OF APPLES PURCHASED BY GOVERNMENT AND OTHERS, ACCORDING TO QUALITY, NEWFANE, NIAGARA COUNTY, NEW YORK

Season	Combinations selling at			Increase in price	
	High prices	Average prices	Low prices	High above average	Average above low
<i>Net prices paid by the government</i>					
1935-36	\$0.47	\$0.36	\$0.27	\$0.11	\$0.09
1937-38	0.28	0.31	0.10	-0.03	0.12
1939-40	0.52	0.40	0.34	0.12	0.05
1940-41	—	0.50	0.43	—	0.07
1941-42	0.77	0.67	0.63	0.10	0.04
Average	—	0.45	0.37	0.02	0.08
<i>Net prices paid by others</i>					
1935-36	0.72	0.50	0.33	0.23	0.17
1937-38	0.52	0.39	0.24	0.13	0.15
1939-40	0.66	0.45	0.23	0.21	0.22
1940-41	0.87	0.62	0.33	0.25	0.30
1941-42	1.00	0.80	0.40	0.39	0.46
Average	0.77	0.55	0.31	0.22	0.25
<i>Net prices in other years</i>					
1936-37	1.21	0.94	0.64	0.27	0.30
1938-39	0.85	0.58	0.36	0.27	0.22
1942-43	1.56	1.02	0.58	0.54	0.44
Average	1.21	0.85	0.53	0.36	0.32

The next year apple prices were higher and the government's purchases in the Newfane area were decreased by about one-half of what they were the year before. The government purchased 29 per cent of the Cortland crop, 26 per cent of the Baldwins and Tompkins King, but only 9 per cent of the McIntosh.

In 1941 the government's purchases in the Newfane area were largely apples salvaged after the terrific windstorm of September 25th. Ninety-two per cent of their purchases were made in the fall. For these dropped apples, the government paid much better prices than did other buyers.

TABLE 4.—COMPARISON OF RETURNS FROM APPLES PURCHASED BY GOVERNMENT AND OTHER WHOLESALE BUYERS, NEWFANE, NIAGARA COUNTY, NEW YORK

Season	Number of comparisons* showing higher prices paid by		Net returns per bushel	
	Government	Others	Government	Others
<i>Combinations selling at high prices</i>				
1935-36	0	2	\$0.47	\$0.58
1937-38	1	2	0.28	0.32
1939-40	2	8	0.52	0.73
1940-41	0	0	—	—
1941-42	0	1	0.77	1.02
Total or average	3	13	0.31	0.60
<i>Combinations selling at average prices</i>				
1935-36	2	4	0.26	0.42
1937-38	8	9	0.21	0.32
1939-40	7	15	0.40	0.40
1940-41	5	7	0.50	0.51
1941-42	4	3	0.67	0.64
Total or average	26	38	0.45	0.47
<i>Combinations selling at low prices</i>				
1935-36	10	9	0.27	0.26
1937-38	6	0	0.19	0.09
1939-40	5	8	0.34	0.44
1940-41	7	5	0.43	0.40
1941-42	12	0	0.61	0.37
Total or average	40	25	0.37	0.31

*A comparison was made for all the apples of like variety, grade, and size sold during the same season of the year.

A review of the purchases in the Newfane area by the Federal Surplus Commodity Corporation indicates that the government tended to narrow the spread in price between apples of varying quality, raising the price of those in relatively poor demand and lowering the price of those in high demand. Since they were giving the apples away, there was not the incentive to differentiate between varieties and grades that there would have been if they were buying them to eat themselves, or to resell at a profit as other buyers had to do. Besides, the government was in the market for apples because of the appeals for help from farmers and their organizations. The government was in the welfare business in buying as well as in distributing apples. The neediest growers were those who had made the most serious mistakes: such as producing varieties for which there was little demand, spraying too little or not at the right time, adding storage and packing costs to apples too small to sell, or holding until spring varieties of short storage life. Therefore, the government's goal in buying apples was to distribute the government's money to the growers most in need. In the long run, it must be so spent as to meet the approval of the voters. The goal of the private buyer was to make a profit. To continue in business, he has had to meet the competition of all others dealing in apples.

QUALITY OF THE APPLE CROP

The premium paid for high-quality apples does not seem excessive in view of the small proportion of high-quality fruit. Only about one-fifth of the packable apples produced by the Newfane growers during the past eleven years have been of such variety-grade-size combinations as to sell at relatively high prices (table 5).

A majority of the packable Baldwin apples have been sold either as of a grade lower than No. 1 or the minimum size has been smaller than 2½ inches. For about one-half of the years, the No. 1, 2½ inch Baldwins have sold relatively high. Not including ciders, about one-fourth of the Baldwin crop was classified as selling at high prices.

TABLE 5.—QUALITY OF APPLES SOLD FOR FRESH FRUIT CONSUMPTION AND FOR PROCESSING, BY VARIETIES, NIAGARA COUNTY, NEW YORK, 1932-1942

Variety	Average of annual prices	Per cent of bushels sold				Total	
		At wholesale, grade-size combinations that sold at			At retail		For processing
		High prices	Average prices	Low prices			
Red Delicious	\$0.99	74	14	8	6	0	100
McIntosh	0.76	59	24	14	2	1	100
Northern Spy	0.60	30	40	15	10	5	100
Cortland	0.67	18	52	22	3	5	100
Baldwin	0.66	24	35	32	1	8	100
Jonathan	0.62	7	60	27	2	4	100
Tompkins King	0.61	3	72	17	3	5	100
R. I. Greening	0.57	4	59	27	1	9	100
Wealthy	0.57	1	62	31	3	3	100
Roxbury Russet	0.52	0	24	65	1	10	100
Wolf River	0.42	0	9	87	2	2	100
Duchess	0.37	0	5	80	1	3	100
All apples	0.62	20	41	30	2	7	100
Total bushels		421,000	861,526	613,823	36,830	137,000	2,086,584

Only 4 per cent of the Greenings were thus classified. These were of No. 1 grade, minimum size, 3 inches. The No. 1, 2½ inch Greenings have sold at average prices.

The price of No. 1, 2½ inch McIntosh represents about the usual price obtained for apples of high quality. In some years, McIntosh of a lower grade than No. 1 or of smaller size than 2½ inch have brought high prices. In all, 59 per cent of the packable McIntosh were classified as selling high. The quality of New York apples has been greatly improved thru the increased production of McIntosh.

An apple that inherits poor quality is of second grade even if perfectly grown. A majority of the varieties listed in table 5 were of such quality that less than 10 per cent of the packable apples were sold at high prices.

Adjustments in production to price come slowly because of the length of life and years required to grow the apple tree. In the long run, price, whether set by the government or by the consumer, determines the production of the different variety-grade-size combinations.

G. P. SCOVILLE

COSTS AND RETURNS IN PRODUCING MILK IN FOUR AREAS OF NEW YORK, 1942-43

In the 12-month period ended April 30, 1943, the average net cost of producing milk in four areas of New York was \$3.00 per hundredweight (table 1). The net cost amounted to \$3.15 in Orange County, \$2.80 in Chenango County, \$3.00 in Oneida County, and \$3.15 in St. Lawrence County.

TABLE 1.—COSTS AND RETURNS IN PRODUCING MILK IN 4 AREAS OF NEW YORK, 1942-43

Items	Cost per 100 pounds				
	Orange	Chenango	Oneida	St. Lawrence	Average* 4 areas
Costs					
Grain	\$0.88	\$0.79	\$0.66	\$0.78	\$0.76
Hay	0.50	0.33	0.34	0.41	0.38
Silage	0.20	0.28	0.37	0.31	0.29
Pasture	0.14	0.11	0.11	0.14	0.12
Total feed	1.78	1.51	1.43	1.64	1.55
Man labor**	0.85	0.80	1.03	1.08	0.98
Depreciation	0.22	0.23	0.21	0.10	0.19
Interest on cows	0.15	0.16	0.14	0.16	0.15
Hauling milk	0.11	0.09	0.12	0.11	0.11
Building use	0.06	0.05	0.05	0.06	0.06
Equipment use	0.05	0.04	0.05	0.04	0.04
Bull service	0.05	0.05	0.06	0.07	0.06
Bedding	0.02	0.04	0.05	0.05	0.04
Miscellaneous	0.06	0.06	0.06	0.09	0.07
Total costs	3.35	3.10	3.21	3.40	3.25
Credits					
Calves	0.10	0.15	0.11	0.15	0.13
Manure	0.10	0.15	0.10	0.10	0.12
Total credits	0.20	0.30	0.21	0.25	0.25
Net cost of milk produced***	3.15	2.80	3.00	3.15	3.00
Price received for milk***	3.28	2.91	2.89	2.82	2.91

*Weighted according to total milk production in the regions of the state represented.

**Except milk hauling.

***Converted to 3.7 per cent test.

Feed costs averaged \$1.55 and man labor nearly \$1.00 per 100 pounds of milk. Feed costs were highest in Orange County where grain feeding was heaviest, and lowest in Oneida County where pastures and meadows were the most productive.

TABLE 2.—FEED AND LABOR, PRICES PER UNIT AND AMOUNTS PER COW AND PER 100 POUNDS OF MILK PRODUCED

Items	Orange	Chenango	Oneida	St. Lawrence	Average 4 areas
Price per unit					
Grain, ton	\$45	\$43	\$47	\$51	\$47
Hay, ton	18	10	12	11	11
Silage, ton	4.04	4.37	4.71	4.72	4.60
Man labor, hour	0.34	0.35	0.42	0.36	0.37
Amount per cow					
Grain, lbs.	2,777	2,659	2,020	2,164	2,332
Hay, tons	2.2	2.5	2.1	2.5	2.4
Silage, tons	2.8	4.7	4.9	4.6	4.7
Pasture, days	165	158	158	155	158
Man labor, hours	182	180	184	216	193
Amount per 100 pounds of milk					
Grain, lbs.	39	37	28	31	33
Hay, lbs.	62	70	59	72	67
Silage, lbs.	80	130	130	130	127
Pasture, days	2.3	2.2	2.2	2.2	2.3
Man labor, hours	2.5	2.4	2.5	3.0	2.6

Depreciation on cows averaged 19 cents per 100 pounds of milk. This item of cost was lowest in St. Lawrence County where unusually good cow sales were made during the period under study. Hauling milk amounted to 11 cents per hundredweight and other items of cost 4 to 6 cents.

The credits for calves and manure averaged 25 cents, which, subtracted from the gross cost, left a net cost of \$3.00 per 100 pounds of 3.7 per cent milk. The average price received for milk of that test was \$2.91.

PRICES AND QUANTITIES

The average price of concentrates charged to the cows was \$47 per ton, hay \$11 per ton, and silage \$4.60 per ton (table 2). The average labor rate was 37 cents per hour. The labor rate was highest in Oneida County, where competition for farm workers by nearby industries in such cities as Utica and Rome was particularly keen.

The average consumption per cow was 2,332 pounds of grain, 2.4 tons of hay, and 4.7 tons of silage. The pasture season averaged 158 days. Direct labor on cows amounted to 193 hours per cow.

Per 100 pounds of milk produced, the average amount of grain required was 33 pounds, hay 67 pounds, silage 127 pounds, and pasture 2.2 days. The labor requirement was 2.6 hours.

TABLE 3.—ESTIMATED COST OF PRODUCING MILK IN NEW YORK, 1943-44

Items	Average amounts to produce 100 pounds of milk*	Price per unit	Cost per 100 pounds of milk produced
Grain	33 lbs.	\$65 per ton	\$1.07
Hay	67 lbs.	18 per ton	0.58
Silage	125 lbs.	6 per ton	0.38
Pasture	2.2 days		0.12
Labor	2.6 hours	0.50 per hr.	1.30
Other items minus credits			0.47
Net year-round cost			\$3.92

*Approximate requirements as found in the 1942-43 study.

ESTIMATED COST OF PRODUCING MILK IN 1943-44

An estimate based on probable economic conditions during the 1943-44 feeding season indicates an average year-round cost of producing milk in New York of approximately \$3.90 per hundredweight (table 3). This cost is based on \$65 per ton for a dairy ration, \$18 per ton for hay, and \$6 per ton for corn silage. A labor rate of 50 cents per hour was used (\$100 per month for help not boarded plus \$25 per month for farm privileges and 250 hours worked per month). The amount of the costs other than feed and labor minus the credits was assumed to be the same as found in the 1942-43 study.

A change of \$10 in wages per month causes a change of 10.4 cents in the cost per 100 pounds of milk, thus:

Farm wages per month with privileges	Rate per hour	Cost per 100 pounds of milk
\$125	\$0.50	\$3.92
135	0.54	4.02
145	0.58	4.13
155	0.62	4.23
165	0.66	4.35

L. C. CUNNINGHAM

FACTORS AFFECTING COSTS AND RETURNS IN PRODUCING MILK—LABOR EFFICIENCY¹

Each farmer was asked to estimate what his labor and management would have cost if hired. The average of these estimates ranged from \$54 a month in St. Lawrence and Chenango Counties to \$74 in Orange County (table 1). The wage of help hired by the month was highest in Orange and Chenango Counties, averaging \$45 a month. The average labor rate for time spent caring for the cows was 24 cents an hour in Orange County, and somewhat less than this in the other areas.

TABLE 1.—WAGES AND LABOR EFFICIENCY
Five Areas in New York, 1939-40

Items	Orange County	Chenango County	Cayuga County	St. Lawrence County	Cattaraugus County
Value of operator's time per month	\$74	\$54	\$58	\$54	\$55
Wages of hired help by the month	\$45	\$45	\$43	\$43	\$40
Hourly labor rate	\$0.24	\$0.22	\$0.23	\$0.22	\$0.22
Cows per man	12	10	7	10	10
Acres of crops per man	26	20	39	39	39
Work units per man	237	256	228	242	235
Hours of man labor per cow	191	179	210	207	179
Cans of milk sold per man per day	2.4	2.0	1.4	2.1	1.8
Hours of labor per 100 pounds of milk produced	2.7	2.5	3.1	3.0	2.8

Measured in terms of work units per man, the average labor efficiency was highest in Chenango and St. Lawrence Counties. Although the large herds in Orange County were conducive to the efficient use of labor, the lack of other important enterprises tended to limit the number of work units accomplished per man. Relatively few cows were cared for per man in Cayuga County, but this area and St. Lawrence County had the most crop acres per man.

TABLE 2.—COWS PER MAN AND VARIOUS FACTORS
Five Areas in New York, 1939-40

Cows per man Range	Average	Number of farms	Cows per farm	Per cent of farms		Man hours per cow	Pounds of milk produced per cow
				Using milking machines ^a	Hauling own milk		
Orange County							
Fewer than 10	8	34	17	13	50	268	6,887
10 to 12	11	39	26	14	72	183	6,535
13 to 14	13	34	20	17	38	190	6,332
14 or more	16	37	35	41	81	147	6,523
Chenango County							
Fewer than 8	6	21	11	24	14	238	6,371
8 to 10	9	34	17	12	47	188	6,424
10 to 12	11	22	23	30	63	167	6,859
13 or more	14	27	27	52	63	141	6,949
Cayuga County							
Fewer than 6	4	25	9	0	50	280	7,545
6 to 8	7	26	13	12	50	238	7,449
8 to 10	8	37	10	37	51	197	6,586
10 or more	12	17	11	47	33	150	6,203
St. Lawrence County							
Fewer than 8	6	21	11	0	30	251	6,300
8 to 11	9	47	19	4	55	231	6,313
11 to 14	12	29	24	31	59	183	6,523
14 or more	16	20	20	45	65	138	6,022
Cattaraugus County							
Fewer than 8	6	24	12	4	14	238	5,777
8 to 11	9	30	16	10	17	185	5,823
11 to 14	12	26	23	8	15	161	5,861
14 or more	16	22	25	32	18	117	5,196

^a9 months or more.

¹This is the fifth in a series on this general topic. This summary is based on a study of about 110 dairy farms in each of five areas in New York for the year ending April 30, 1940.

In Orange County, 2.4 cans of milk were sold per day per man, as compared with only 1.4 cans in Cayuga County. This measure, though not sufficiently inclusive to be a good measure of labor efficiency for the entire farm business in Cayuga and Chenango Counties where enterprises other than the dairy were of relatively greater importance, is a practical indication of labor accomplishment in the dairy. The least amount of labor per 100 pounds of milk was required in Chenango County, where the rate of milk production was highest.

COWS PER MAN AND VARIOUS FACTORS

Since wages were relatively high as compared with milk prices in this period, the dairymen who used their labor most efficiently gained a considerable advantage over those who were less efficient in this respect.

As the number of cows cared for per man increased, the number of cows per farm increased, showing again the close association between labor efficiency, as measured by cows per man, and size of herd (table 2). The proportion of farms that used milking machines increased in each area as more cows were kept per man. Except in Cayuga County, a larger proportion of the farmers with the large herds hauled their own milk. There was a striking decrease in the number of man hours per cow as the number of cows per man increased. The rate of milk production was not consistently associated with the number of cows cared for per man, but tended to be somewhat below average for the groups with the most cows per man.

TABLE 3.—COWS PER MAN AND COSTS AND RETURNS
Five Areas in New York, 1939-40

Cows per man	Cost per 100 pounds of milk	Return per hour of labor	Labor income
Orange County			
Fewer than 10	\$2.80	\$0.16	\$ 145
10 to 12	2.57	0.24	537
13 to 14	2.62	0.20	716
14 or more	2.33	0.31	1,098
Chenango County			
Fewer than 8	2.38	0.07	200
8 to 10	2.26	0.08	385
10 to 12	2.06	0.21	1,194
13 or more	2.31	0.11	461
Cayuga County			
Fewer than 6	2.40	0.13	449
6 to 8	2.22	0.17	490
8 to 10	2.34	0.15	496
10 or more	2.17	0.18	601
St. Lawrence County			
Fewer than 8	2.40	0.07	224
8 to 11	2.20	0.10	209
11 to 14	2.01	0.17	502
14 or more	1.92	0.19	779
Cattaraugus County			
Fewer than 8	2.41	0.05	103
8 to 11	2.00	0.17	316
11 to 14	1.87	0.17	538
14 or more	1.80	0.17	527

COWS PER MAN AND COSTS AND RETURNS

In Orange, St. Lawrence, and Cattaraugus Counties, costs tended to decrease and returns to increase as more cows were kept per man (table 3). In Chenango and Cayuga Counties, however, the relationship of labor efficiency to costs and returns was not as consistent. Even in the specialized dairy areas there were some irregularities in the relationships, especially in the intermediate groups. These irregularities were usually the result of

the greater relative importance of the rate of milk production which, as previously noted, was not consistently associated with the number of cows cared for per man. In Chenango and Cayuga Counties another factor that was of importance in its effect on labor incomes was the greater relative importance of enterprises other than cows. Especially in Cayuga County, this factor would appear to explain why the farms with the fewest cows per man still had a moderately favorable labor income.

AMOUNT OF MILK SOLD PER MAN AND VARIOUS FACTORS

In areas such as these, where dairying is the major enterprise on most farms, the amount of milk sold per man is a useful and easily understood measure of accomplishment. On the most efficient farms in each area from two to three times as much milk per man was sold daily as on the least efficient farms (table 4).

TABLE 4.—AMOUNT OF MILK SOLD PER MAN AND VARIOUS FACTORS
Five Areas in New York, 1930-40

Class of milk sold per day per man	Number of farms	Cows per farm	Pounds of milk produced per cow	Cost per 100 pounds of milk	Return per hour of labor	Labor income	
Range	Average						
Orange County							
Less than 2.0	1.5	34	19	5,060	\$3.04	\$0.11	\$ 53
2.0 to 2.5	2.2	31	28	6,481	2.52	0.18	462
2.5 to 3.0	2.7	19	31	7,259	2.30	0.33	1,017
3.0 or more	3.5	30	35	7,210	2.15	0.38	1,477
Chenango County							
Less than 1.5	1.1	31	13	5,292	2.72	0.02	130
1.5 to 2.0	1.7	28	17	6,088	2.33	0.08	242
2.0 to 2.5	2.2	29	21	6,730	2.00	0.10	260
2.5 or more	2.7	25	31	7,747	1.89	0.27	1,004
Cayuga County							
Less than 1.0	0.8	20	19	6,432	2.61	0.10	104
1.0 to 1.4	1.2	31	24	6,446	2.36	0.12	452
1.4 to 1.8	1.5	34	24	7,183	2.29	0.13	350
1.8 or more	2.3	22	26	7,867	1.93	0.30	981
St. Lawrence County							
Less than 1.5	1.1	27	16	4,673	2.75	0.00	222
1.5 to 2.0	1.7	35	15	6,471	2.11	0.12	277
2.0 to 2.5	2.2	25	21	6,587	2.03	0.13	404
2.5 or more	3.3	30	23	7,417	1.80	0.25	1,010
Cattaraugus County							
Less than 1.2	0.9	27	14	5,004	2.60	0.03	217
1.2 to 1.8	1.5	38	16	5,514	1.90	0.14	175
1.8 to 2.4	2.0	22	22	5,939	1.83	0.18	500
2.4 or more	2.8	25	28	6,403	1.60	0.25	814

This added output of milk per man was obtained partly by having larger herds, and partly by higher yields of milk per cow. As the output of milk per man increased, costs on these dairy farms decreased rapidly. In Cayuga County the cost of milk production for the farms with the largest output of milk per man was 70 cents a hundredweight lower, than for the farms with the smallest output of milk per man. In each of the other areas it was almost 90 cents lower.

Both measures of returns increased rapidly as more milk was handled per worker. Returns per hour of labor averaged at least 20 cents an hour more, and labor incomes from \$900 to \$1,400 a farm more for the most efficient groups in each area than for the group with the smallest output of milk per man. On some farms a relatively large output of milk was obtained per man with a small herd of high-producing cows, but large outputs were obtained more frequently with a large herd of moderately high-producing cows.

IVAN R. BIERLY

UNITED STATES LEVEL OF LIVING RISES DURING WAR

The economic level of living in the United States, for both food and non-food items, fails to show any wartime sacrifice (figure 1). In fact, the upward trend, that started from the low point of the depression during the thirties, has continued. The upward trend for food has been continuous, without any setback; for non-food, the rise has been irregular. Our participation in the war is not apparent in the trends for either food or non-food items.

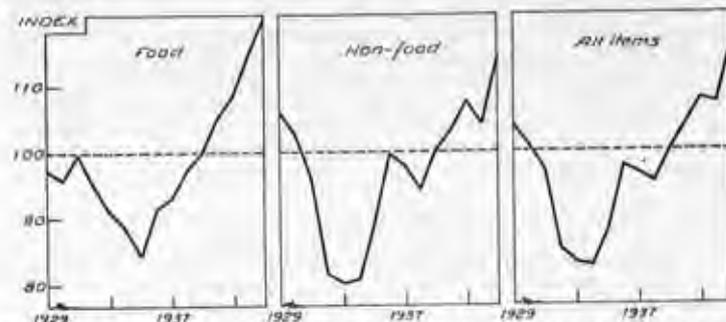


FIGURE 1.—CHANGES IN THE LEVEL OF ECONOMIC LIVING, UNITED STATES, 1929 to 1943
1930 = 100

The rise from the low point of the depression of the thirties has been 43 per cent for both food and non-food items.

Changes in the level of living, as used here, represent changes in the quantity and quality of goods and services purchased by the average person. They do not represent changes in dollar expenditures which, in addition, are affected by price changes.¹

Since the low points—1935 for food and 1932-4 for non-food items—there has been a rise of 43 per cent in the levels of living for both food and non-food items. Since 1939 when the war broke out, our food living has risen 20 per cent; our non-food living 14 per cent; and all goods and services 16 per cent.

The entire rise in our level of living, starting in the middle thirties and continuing at about the same rate up to the present, is probably one of the most rapid sustained increases we have ever enjoyed. The compound rate of yearly increase has been 3.85 per cent, compared with a long-time aver-

¹The level of living was calculated from expenditure and price series, or their equivalents. If the dollar expenditure for all goods and services should rise 25 per cent from one year to the next and their prices should rise 10 per cent, the increase in the level of living—quantity and quality of goods and services—would be 5 per cent ($1.25 \div 1.10 = 1.05$).

The figures used to get the food level of living were taken from The Marketing and Transportation Situation, Bureau of Agricultural Economics, United States Department of Agriculture, issues of April-May and September-October, 1943. These figures, in turn, were based on data compiled by the United States Bureau of Foreign and Domestic Commerce, and the United States Bureau of Labor Statistics. The procedure was different from the above description, but the effect was the same. For instance, from 1935 to July 1943 the average person increased his expenditure for food from \$114 to \$212 (annual rates), or 86 per cent. Had he bought his 1935-39 diet, the costs would have been \$106 and \$104, representing an increase in prices of 55 per cent. Therefore his level of living rose 30 per cent ($1.86 \div 1.51$). The non-food items were based on expenditures (total expenditures of the average consumer for goods and services, less his expenditures for food), deflated by the index of wholesale prices of all commodities other than farm and food. Preferable, but lacking, would have been an index of retail prices of all goods and services other than food. Any difference in results between the two price indexes would be (1) difference in price changes between wholesale and retail, and (2) difference in the price changes of items not included and those included. Combining of food and non-food levels of living for "all items" was based on the proportions of dollar expenditures for each.

age rate of increase of 1.71 per cent.² Another difference from the usual historical pattern is that the rise in food living has equalled that for non-food, whereas we should expect it to be about half as much in the long-time trend.

The current rise in level of living has all been paid for from current incomes, with much to spare. For the average family the picture is about like this: in 1939, for every \$1.00 of income the expenditures for goods and services were 87 cents; of the other 13 cents, 4½ cents went for taxes and 8½ cents for savings. In the middle of 1943, income was up to \$1.99; expenditures for goods and services used \$1.26; of the remaining 73 cents, personal taxes took 21 cents, leaving 52 cents for the various forms of savings. So, if we had the goods and services available, use of the present increased savings would allow an increase in the level of living of 56 per cent above that of 1939, instead of the actual increase of 16 per cent. This limit of available goods and services makes the 52 cents of left-over money a constant and serious threat of inflation; anything that increases its size—subsidies, wage increases, or other—makes inflation that much more certain.

The 16-per-cent better civilian living in 1943, as compared with 1939, is equivalent to \$12.2 billion. If this could have been used for the production of war goods rather than for the production of better living, it would have boosted our current war effort by about one-seventh—or nearly two months' war production in a year's time. The money that this better living costs is about equal to our present personal tax contribution, and is double the amount of war bonds we bought in 1942.

ARE PRICE INDEXES RELIABLE?

The accuracy of these conclusions naturally depends on the accuracy of the price and expenditure figures on which they are based. Probably the price indexes are open to question. Many items, especially those not under the price controls, are not in the indexes. Quality of products has been cut, which is the equivalent of a price rise, and not all of those are taken into account; clothing is an illustration. Black markets and all forms of "shady deals" are forms of price rise not in the index. Many services have been reduced or eliminated without any corresponding reduction in price. In normal times, these errors in the price indexes can, for all practical purposes, be ignored. But in wartime, with price controls and rationing and with a "sellers' market", the errors become more important and are all in the direction of understating the amount of rise in prices.

To the extent that prices have risen more than the indexes show, the amount of rise in the level of living is overstated. For example, if food prices really rose 65 per cent instead of the 55 per cent shown in the index, the true rise in level of food living would become 13 per cent instead of the 20 per cent.

HOW COULD OUR LIVING HAVE GONE UP IN WARTIME?

To many persons it seems unlikely that, as a nation, we could have fought a war and at the same time increased our level of living. As mentioned above, the amount may be overstated because of failure of price indexes to reflect the full increase in prices. But even after allowing for that, it appears that there may have been an increase, although we have no way of being certain.

²Trend for 1840 to 1933. For details, see Warren, G. F., and Pearson, P. A., *Gold and Prices*, John Wiley and Sons, Chapter XVII, 1935.

So far as food is concerned, our level of living could increase because farmers' long hours have been combined with favorable weather. For instance, crop weather in 1942 was probably the best on record, and in 1943 was better than we had a right to expect. We have had favorable weather every year since 1936.

One thing that makes it possible for us to have increased our entire consumption of all items is that more people are working. In 1939, nine million men were unemployed. Now unemployment is negligible, and in addition we have drawn new workers into our labor force so that there are about 20 million more employed persons than in 1939, an increase of 44 per cent. Also, people are working longer hours and efficiency has increased.

By using up inventories of some important products, we are able to continue to live well because of the production of earlier years. In part, we have been living on depreciation by using, without replacement, many items like houses, cars, highways, and railroads. This has allowed the people who would have been producing these items for replacement to shift to some other work.

FORMS OF INCREASED LIVING

Our living has increased in many ways not at first apparent. The illusion of sacrifice while we are enjoying this grand living spree must be because certain items of sacrifice unduly impress us.

Our food living has gone up, but not in the form of an increased quantity of food consumed, if measured by pounds of digestible matter or calories. The increase has been in the consumption of more of the highly prized foods and in more of some marketing services. Our consumption of animal proteins has increased every year since 1935. People are eating two and one-half times as much in restaurants as they were in 1935-39. These and other similar changes go to make up the better food living. This concept of better living is founded entirely on how people have chosen to spend their money, and is not based on any nutritional or ethical standards.

For non-food items, we tend to think that the level of living has declined because we think of shortages of cars, gasoline, refrigerators, and the like. But the consumption of other less conspicuous items has increased; these include department store sales, railroad and bus travel, hotel occupancy, and amusements of all sorts. Current advertising in magazines reflects the extent to which high incomes of people have swelled the markets for all sorts of luxury goods—watches, jewelry, liquor, fancy candies and fruits, etc.

NOT ALL PEOPLE HAVE SHARED IN THE RISE

From their own experience, many will not believe that the United States is living so much better. The rise in incomes and in the level of living has been uneven. Because of increased prices, those who have had no increase in incomes must have suffered a decline in their level of living by about one-fourth. All who have had increases in income of less than 30 per cent presumably have suffered some decline in their level of living. It has required an aggregate increase of income of about 50 per cent to pay the higher prices and, in addition, to buy the better living represented by the national average; many have had a far greater increase.

F. A. HARPER AND W. M. CURTISS

LABOR REQUIREMENTS OF CANNING CROPS

The importance of canning crops as a source of food for the armed forces, for our Allies, and for our civilian population was recognized early in this war. Steps were taken to increase production of those crops. So that growers and administrators of the food programs might have a better idea of the relative costs of producing these crops, a survey was made early in the summer of 1943, covering costs and returns.

For three of the crops, tomatoes, snap beans, and sweet corn, labor represented the largest single item of cost. For the fourth crop, peas, labor ranked second only to seed. Labor was by far the most important item of cost in harvesting all four of the crops.

TABLE 1.—LABOR USED IN GROWING AND HARVESTING FOUR CANNING CROPS, 1941

County	Snap beans		Tomatoes		Sweet corn		Peas	
	Erie	Wayne	Chautauqua	Orleans	Livingston	Ontario	Orleans	Livingston
Number of farms	56	55	86	79	68	58	51	39
Acres per farm	35.5	5.3	6.6	8.2	17.1	5.9	7	9.9
Tons per acre	1.56	2.35	9.4	12.9	3.34	2.5	6.8	0.81
Hours labor per acre								
Growing	48	24	50	38	17	43	8	7
Harvesting	192	302	128	167	18	24	17	8
Total	244	326	188	245	35	67	25	15
Per cent special labor was of all labor								
Growing	40	72	11	3	32	1	0	0
Harvesting	95	87	45	41	60	30	5	6
Total	83	89	35	32	49	43	3	3
Cost per hour of labor, cents								
Growing	39	31	39	37	25	34	39	39
Harvesting	16	26	37	35	37	34	38	36
Total	31	27	38	36	30	34	39	37
Labor as per cent of cost								
Growing	36	30	30	19	21	19	8	7
Harvesting	93	98	88	91	76	74	81	70
Total	63	74	54	47	44	44	15	12
Hours of labor per ton of product								
Total	156	139	20	12	15	16	24	25

SNAP BEANS

Snap beans required the largest amount of labor (table 1). An average of 243 hours was required in Erie County and 326 hours in Wayne County to grow and harvest an acre. Growers in Erie County spent twice as many hours growing the beans as did those in Wayne County. Most of the difference was in the amount of time spent hoeing the beans. The Erie County men usually have a large supply of labor available after berry-picking which they feel is to their advantage to use, in order that the help may be held for bean-picking. If it were not for this fact, probably beans would be hoed less in Erie County. The difference between the counties in the amount of labor required to harvest the beans is largely accounted for by the difference in yield. Although most of the beans in both counties were picked on a piece-work basis, by the pound, growers estimated the number of hours of labor required to pick their crops. In both counties an average of about 16 pounds of beans were picked and delivered per hour of labor.

Special labor, as distinguished from the regular farm labor force, represented more than four-fifths of the total labor required for beans. The majority of this special labor was used for picking and most of the rest for hoeing.

Labor represented nearly two-thirds of the total cost of growing and

harvesting beans in Erie County and nearly three-fourths of the total in Wayne County.

TOMATOES

On a basis of acres, tomatoes required the second largest amount of labor or an average of 188 hours per acre in Chautauqua County and 145 hours in Orleans County. More labor was used in Chautauqua County for both growing and harvesting than was used in Orleans County. Some of the difference in the amount of labor used for growing is explained by the method of setting. Nearly all of the growers in Orleans County used a transplanter while nearly half of the tomatoes in Chautauqua County were set by hand. It took an average of 24 hours per acre to set tomatoes by hand in Chautauqua County as compared with an average of 13 hours to set them with a transplanter.

Special labor represented about one-third of the total labor requirements for the tomato enterprise. Most of this labor was hired for picking. All labor costs represented about one-half of the total costs.

SWEET CORN

An average of 35 hours of labor was spent on an acre of sweet corn in Livingston County and 39 hours in Ontario County. In Livingston County, labor requirements for growing and harvesting an acre were about equal, while in Ontario County more time was spent in harvesting.

In Livingston County where larger acreages of sweet corn were grown, especially on the flat lands of the Genesee River bottom, special labor made up about one-half of the requirements. In Ontario County the regular farm labor force furnished more than three-fourths of the labor needed to grow and harvest the crop. Most of the special labor for growing sweet corn in Livingston County was used for hoeing. Labor, the largest single item of cost in producing sweet corn, represented about one-third of the total cost of growing and harvesting in both Livingston and Ontario Counties.

PEAS

Of the four canning crops peas required the least amount of labor per acre. Practically all of the work was done by the regular farm labor force. Of the total cost of producing peas in Orleans County, 15 per cent was labor, compared with 13 per cent in Livingston County.

The rates paid for labor in 1941 varied from an average of 27 cents per hour for Wayne County snap beans to 39 cents per hour for peas in Orleans County. Labor rates have increased rapidly in the past two years. Other costs, however, have not increased at such a rapid rate. This makes possible profitable production of the canning crops, provided yields are normal, even though prices have not increased at the same rate as labor costs.

FOOD VALUES AND LABOR

With a limited amount of labor available, more tons of food can be produced by growing tomatoes, peas, or sweet corn for canning than by growing snap beans. It took about six times as much labor to grow and harvest a ton of snap beans as it did to grow and harvest a ton of peas, and nearly ten times as much as to grow and harvest a ton of tomatoes or sweet corn. The most efficient use of labor in terms of tons of product was made in Orleans County where a ton of tomatoes was grown and harvested with an average of 12 hours of labor.

It is difficult to evaluate one food in terms of another now that so many

of the different properties and values of different foods are recognized. One food is valuable because it is high in calories, another because it is high in protein, another because of its vitamin A or C, or because of its calcium, and so on. Nutritionists tell us we need certain amounts of each of these different food elements. If our diets become short of one element, a food that is rich in that element may become of considerable value to us even though it is low in all the other food elements.

TABLE 2.—FOOD VALUE, AFTER CANNING, FROM ONE POUND OF EACH OF FOUR CANNING CROPS

Crop	Calories*	Vitamins†			Minerals in milligrams‡		
		A, international units	B, micrograms	C, milligrams	Calcium	Phosphorus	Iron
Sweet corn	440	—	—	36	32	454	4.82
Peas	250	—	610	31	49	309	16.89
Tomatoes	95	2,700	—	73	59	135	7.26
Snap beans	80	—	—	40	163	123	4.54

*Chatfield, C., and Adams, G., Proximate Composition of American Food Materials, United States Department of Agriculture, Circular Number 249, June, 1949.
 †Hewston, Elizabeth M., and Marsh, Rosemary L., Vitamin Value of Foods in Terms of Common Measures, United States Department of Agriculture, Miscellaneous Publication Number 503.
 ‡Rose, Mary Swartz, A Laboratory Handbook for Dietetics, 1937, Table XVIII, and Pattee, Alida Frances, Vitamins and Minerals for Everyone, 1942, page 215.

The food value of one pound of each of the four canning crops is shown in table 2. The values shown are for the foods after they are canned. Some of the vitamins are indicated to be lacking in each of the foods after they are canned. Sweet corn is high in calories as compared with tomatoes and snap beans. Of the four foods, tomatoes are the only ones to have vitamin A after canning, while peas are the only ones with vitamin B₁. Each of the four foods carry vitamin C, but tomatoes have about twice as much as any of the others.

After considering the amount of labor required to grow the different canning crops and after adjustments are made for losses in canning, it appears that more calories can be produced with a given amount of labor by growing sweet corn and peas than by growing tomatoes or snap beans. More than 20 times as many calories were produced with an hour of labor on sweet corn as were produced with an hour of labor on snap beans (table 3). Of the four crops, tomatoes provided the largest amount of vitamin C per hour of labor, producing more than six times as much as snap beans. Peas ranked high in the production of vitamin C per hour of labor, and were first in the production of calcium and iron per hour of labor.

TABLE 3.—FOOD VALUES PRODUCED PER HOUR OF LABOR ON EACH OF FOUR CANNING CROPS*

Crop	Calories	Vitamins			Minerals in grams		
		A, international units	B, micrograms	C, milligrams	Calcium	Phosphorus	Iron
Sweet corn	28,400	—	—	1,000	2.1	39.3	0.12
Peas	27,200	—	66,300	2,800	5.3	22.7	1.18
Tomatoes	5,700	151,700	—	4,500	3.5	8.1	0.44
Snap beans	1,400	—	—	700	2.8	2.1	0.68

*Based upon food values of the crops (table 2) and labor requirements of the crops in 1942 (table 1). Values are adjusted for loss of weight in processing.

Considering the over-all nutritive value, snap beans ranked lowest chiefly because of the large amount of labor required to pick them. Sweet corn and peas made the most efficient use of labor in the production of calories. Tomatoes produced the most vitamins per hour of labor.

D. B. FERGUSON

GRADE QUALITY OF POTATOES SOLD AT WHOLESALE, BUFFALO AND ROCHESTER, 1940-41 and 1941-42 SEASONS

During the 1940-41 season, 49 per cent of the muck and 38 per cent of the upland potatoes were U. S. No. 1 grade quality (table 1). The following year, 1941-42, 70 per cent of the mucks and 42 per cent of the uplands were U. S. No. 1. Both years muck potatoes were of better quality than upland potatoes. A larger proportion of both muck and upland potatoes were of better quality in 1941-42 than in 1940-41 (table 1).

A considerable number of the poor quality potatoes, particularly uplands grown, could probably be eliminated by correcting some of the present production practices. A shift to the growing of the newer varieties, such as

TABLE 1.—GRADE QUALITY OF MUCK AND UPLAND GROWN POTATOES, BUFFALO AND ROCHESTER, 1940-41 AND 1941-42 SEASONS

Grade	Per cent of total inspections			
	1940-41 season		1941-42 season	
	Muck	Upland	Muck	Upland
U. S. No. 1	49	38	70	42
U. S. Commercial	45	59	22	40
U. S. No. 2	6	13	8	6
Total	100	100	100	100

Chippewas, Sebagos, and Katahdins, would also raise the average grade. These are more attractive types and will grade a larger percentage to U. S. No. 1 than will the older varieties.

In the 1940-41 season, all potatoes grading U. S. Commercial had 10.8 per cent damage out of 13.3 per cent total grade defects (table 2). The following year, U. S. Commercial potatoes had 9.5 per cent damage out of 11.8 per cent total grade defects. It seems reasonable to assume that this damage, which in general is controllable, could be reduced. Such a reduction would enable many potatoes that now grade as U. S. Commercial potatoes to meet U. S. No. 1 grade standards. Similarly, a reduction in the amount of damage in U. S. No. 2 would permit many of these to meet the higher grade standard, U. S. Commercial (table 2).

TABLE 2.—RELATION OF GRADE QUALITY TO TYPES OF INJURY AND TOTAL GRADE DEFECTS OF ALL POTATOES, BUFFALO AND ROCHESTER, 1940-41 AND 1941-42 SEASONS

Grade	Per cent grade defects			
	Rot and frost	Serious damage	Other damage	Total grade defects
<i>1940-41 season</i>				
U. S. No. 1	0.5	0.1	2.9	3.5
U. S. Commercial	2.1	0.4	10.8	13.3
U. S. No. 2	6.2	1.6	15.9	23.7
<i>1941-42 season</i>				
U. S. No. 1	0.2	0.5	3.3	4.0
U. S. Commercial	0.4	1.9	9.5	11.8
U. S. No. 2	0.7	7.8	18.1	26.6

To reduce this damage would require efforts on the part of the growers to improve their production and handling methods and of shippers and other handlers to maintain a better quality potato enroute to the consumers.

DIFFERENCE IN GRADE QUALITY FROM FALL TO WINTER

During 1940-41, a larger proportion of the muck and upland potatoes were U. S. No. 1 grade at the winter than at the fall inspection. About 42 per cent of the muck potatoes were U. S. No. 1 in the fall compared with 60 per cent in the winter. In the case of upland potatoes, there was less difference between fall and winter inspections—27 and 32 per cent, respectively (table 3).

TABLE 3.—VARIATION IN GRADE QUALITY IN FALL AND WINTER INSPECTIONS OF MUCK AND UPLAND POTATOES, BUFFALO AND ROCHESTER, 1940-41 AND 1941-42 SEASONS

Grade	Muck potato inspections, per cent		Upland potato inspections, per cent	
	Fall	Winter	Fall	Winter
<i>1940-41 season</i>				
U. S. No. 1	42	60	27	32
U. S. Commercial	49	38	69	51
U. S. No. 2	9	2	4	17
Total	100	100	100	100
<i>1941-42 season</i>				
U. S. No. 1	68	—*	42	42
U. S. Commercial	31	—*	50	47
U. S. No. 2	1	—*	8	11
Total	100	100	100	100

*No winter inspections made of muck potatoes during the 1941-42 season.

During the 1941-42 season there was no difference between the fall and winter inspection in the proportion of U. S. No. 1 (42 per cent for each season). However a slightly larger proportion were U. S. Commercial during the fall than during the winter (table 3).

It appears, therefore, that in a year like 1940-41, when the potato crop was about average quality, the poorer potatoes were marketed early in the season and the better quality potatoes sold later in the season. But in a year like 1941-42, when the potato crop was of better than average quality, there was little difference in the grade quality marketed at any given time during the marketing season. Some type of informational marketing service, aimed at determining the quality of the crop in a given area early in the season, might be of benefit to growers, shippers, and others.

WINSTON E. PULLEN

HOW FARMERS IN LESS PRODUCTIVE RURAL AREAS CAN EARN A BETTER LIVING

Nature endowed the state of New York with some of the most productive and some of the poorest soil that lies out doors. Because incomes of farmers are usually directly associated with variations in soil productivity, families in areas of poor natural soil productivity generally have low incomes. Land classification maps, which have been completed for 20 New York counties, delineate areas of varying degrees of natural soil productivity. Farmers in land classes I and II are seldom able to earn an acceptable living from their farms. Farm incomes in the less productive parts of land class III are generally low.

Despite low incomes, farmers in considerable number continue to operate businesses in these lower land classes. Because they own their farms and are attached to the community, many of these operators—

even in land class II—are likely to remain on their farms. Present alternative opportunities for employment at relatively high wages are not likely to entice a large proportion of them away from their farms, although some will take on non-farm employment. Thus many New York families are—and several will remain—solely dependent upon earnings from relatively unproductive farms for a living.

How then, can farmers in these areas organize and manage their businesses to increase incomes? To search out some of the answers to this question, the businesses of 289 farmers in the less productive parts of land class III and of 124 farmers in land class II were studied for the calendar year 1940.¹ Based on the experiences of these farmers, the following possibilities are suggested as means of increasing incomes on the farms in the less productive parts of land class III.²

1. Increase the size of several of the smaller farm businesses either (1) by adding to the livestock enterprises or (2) by taking on non-farm employment. In general, there is little advantage to increasing the size of business beyond that amount of work which the family can handle with small amounts of hired labor.

2. Improve labor efficiency by adjusting the size of the labor force to the amount of productive work to be done. Where the labor force is partly idle or unproductively employed and cannot be contracted, the size of the business should be enlarged.

3. Keep as much livestock in relation to crop acreage as possible. Some farm units as they now stand could carry more livestock. Yields will have to be improved and corn silage will have to be grown on other farms if the carrying capacity of the unit is to be increased.

4. Increase rates of milk production by improved feeding, breeding, and management. Higher rates of milk production mean a larger output of milk per man and higher incomes.

5. Within reason, obtain the highest possible crop yields. In general, farmers making the larger applications of fertilizer and lime have the higher yields and the larger incomes.

6. Expand the poultry enterprise in those areas where climate and market opportunities are favorable.

The operator attempting to earn a living from farming in land class II has a more difficult situation. Low crop yields limit the amount of livestock that can be carried. Milk production from purchased feed is often too expensive for the low-priced milk market on which the farmer frequently sells his milk. A large proportion of the families in land class II earn little in addition to their privileges for their year's work.

Study of 124 farm businesses in land class II indicated that the surest way to increase incomes was to obtain employment away from the farm—either on a full-time or part-time basis. This alternative is not always available, and when available farmers do not always take advantage of it. For those who continue to operate farms in land class II, more comfortable livings may be obtained by following some of these suggestions.

¹These farms were located in Steuben, St. Lawrence, and Otsego Counties. This study is reported in detail in a thesis, Hardin, L. S., *An Economic Study of Low Income Rural Areas in New York, 1940*. Cornell University Library.

²It is recognized that some of these suggestions are inconsistent with the most efficient use of manpower, machines, livestock, and fertilizer in the war effort. These recommendations are made from the point of view of individuals remaining on farms in poor land areas. Hardin, L. S., *More Agricultural Production Where? Farm Economics*, No. 134, p. 3408, February, 1943.

1. Obtain outside employment whenever possible even if farm businesses must be curtailed.
2. Produce as much food and fuel for home consumption as possible.
3. Keep expenditures on the farm business at a minimum. If capital is available for enlarging the farm enterprises, invest in a more productive farm in a higher land class.
4. Operate a business just large enough to fully utilize the fixed labor supply.
5. Keep the fixed labor supply fully occupied at productive work. If the business must be enlarged to achieve this end, expand through addition of outside work whenever possible.
6. Use excess labor to take better care of the livestock on hand in an attempt to improve rates of production.
7. Use government fertilizer and lime allotments. Increases in yields resulting from fertilizer application are generally not large enough, however, to justify expenditures for this purpose much in excess of conservation allotments.

L. S. HARDIN

HOW MARKETING AGENCIES ARRIVE AT THEIR MARGINS, AS RELATED TO THE SUBSIDY QUESTION

There are several explanations for the claim that subsidies would "save us many dollars for each dollar of cost". One is based on the manner in which marketing agencies establish their margins for operations, and is as follows.

It is assumed that marketing agencies set their charges on a percentage-of-cost basis, rather than at fixed rates per unit of product. Consequently, it is assumed that a rise in prices to farmers would bring a proportionate rise in the margins of all the successive chain of marketing agencies. For instance, assume that before the price rise, farmers were receiving \$1 and marketing agencies \$1 of a \$2 retail price. Then, if we wished to increase the price to farmers by 10 per cent so as to stimulate production, it would result in a rise in the retail price to \$2.20 (\$1.10 to farmers and \$1.10 to marketing agencies); that is, the rise would be double the increase going to farmers. By using subsidies, the farmers would be paid \$1.00 in the open market and 10 cents in subsidies. The subsidy money would be handed to them "behind our backs", or "under the counter", so that the marketing agencies would have no basis for raising their margins. The subsidy plan, then, would cost consumers \$2.00 of retail market price plus 10 cents of subsidy money, or a total of \$2.10. The subsidy device, in this illustration, would save 10 cents or half the amount of total rise in retail price that would occur if subsidies were not used.

The first question is, do marketing agencies arrive at their margins that way? Some do, but others fix their margins or charges as specified amounts per unit of product. Transportation charges, for instance, are almost entirely on a package, volume, or weight basis, and only in an extremely remote sense do they bear any relationship whatsoever to changes in the price of the product. What part of all our marketing charges are priced one way, and what part the other?

Had the originators of this claim investigated some excellent data available in another agency of the Government, the Bureau of Agricultural Economics, they would have found some useful but discouraging evidence.

These figures show the returns to farmers and the charges of all marketing agencies for the last thirty years and for a fixed quantity of food.

An estimate of marketing costs based on the assumption that they will change proportionate to changes in the prices paid farmers for food is far from our actual experience. The error of such an assumption has been increasing in general over the thirty-year period, and for the last ten years one would be about 83 per cent wrong in that assumption (figure 1). Expressed another way, 83 per cent of marketing costs for the last ten years have apparently been based on a fixed dollar rate, and only 17 per cent based on a fixed percentage mark-up such as would increase or decrease with changes in prices paid to farmers for food.

The reason why marketing margins and charges are mostly based on a fixed dollar rate, rather than to be related to the buying price of the food, is that marketing costs are mostly wages which change slowly. In fact, since 1921 marketing margins show only slight recognition of the increases and decreases in prices paid to farmers. Most marketing agencies perform a service on what amounts to a fee basis, and the size of the fee depends on wage rates more than anything else.

The evidence for the last ten years can be applied to present farm prices and marketing costs, to compare the effect of a subsidy plan with allowing a rise in farm prices to occur in the marketplace. The retail cost of a family's food basket in mid-1943 was at the rate of \$451 yearly, of which \$255 went to producers and \$196 went to the marketing agencies (table 1). Now assume that it is considered necessary to give producers a 10 per cent increase, in order to stimulate food production. The argument for the subsidy scheme, as outlined above, would lead us to expect the retail cost to rise to \$496. Actually this is a sizeable exaggeration and we should instead expect a retail cost of \$480, based on the action of marketing agencies during the last ten years.

The cost under a subsidy plan, whereby producers would be given the same 10 per cent increase in returns, would be \$476. This is only \$4 less

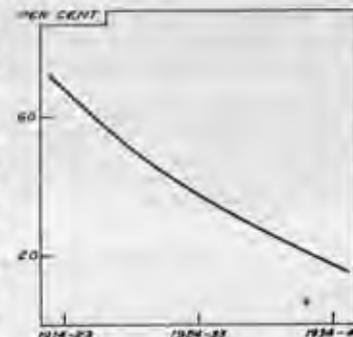


FIGURE 1.—TREND IN THE PROPORTION OF MARKETING CHARGES MADE ON A "PER CENT MARK-UP" BASIS, UNITED STATES

Most marketing services are now performed at fixed rates, and are unrelated to changes in prices paid to producers.

TABLE 1.—RISING FOOD PRICES AS COMPARED WITH A SUBSIDY PAYMENT, AS AFFECTING TOTAL FOOD COSTS*

	Actual figures for mid-1943	10 per cent rise† allowed in the marketplace		
		As assumed by subsidy proponents	Probable, based on past experience	10 per cent rise‡ paid as a subsidy to producers
Paid to producers	\$255	\$280	\$280	\$280
Paid to marketers	196	216	200	196
Administrative expenses	None	None	None	7
Total cost to public	\$451	\$496	\$480	\$476 +7

*In terms of annual cost of food for a typical workman's family.

†The 10 per cent is an increase to producers, based on the original producer-return of 255.

than the \$480, and we would be ignoring the administrative costs. The unfounded expectation was a saving of \$20 (\$496 - \$476). Under the subsidy plan, marketing margins might soon increase to the \$200 figure, leaving no saving.

The administrative costs of the subsidy plan are not to be ignored, either. The present analysis affords no basis for estimate. It seems conservative to expect that the total cost, including administration, under the subsidy plan would be as much or more than the cost if we allowed the price to rise in the marketplace.

F. A. HARPER

SUBSIDIZING PRICE ADVANCES

Food subsidies are economic, social, and political problems; they are highly controversial and produce plenty of heat in our frozen economy. Food subsidies affect the purchasing power of everyone, but in different ways and by widely divergent amounts.

Subsidies are not new. During the early thirties the nation used subsidies, in the form of payments for restricting production, to raise prices at a time when practically every other force, national and world wide, was driving prices down. Now the nation contemplates using subsidies to keep prices down at a time when the major forces in the United States and in the world are forcing prices upward. Subsidies did not overcome deflation during the early thirties and will prove unsuccessful in preventing inflation during the early forties. The power of the government's price-raising activities of the thirties and the power of its present ceiling food prices and controls are greatly overrated. The power of the market on prices for food then was and now is greatly underrated. It is almost as difficult for the uninformed to become conscious of that power as it is to explain it or to control it. The nation had better weigh carefully the end it hopes to attain and the methods of attaining the objective before it attempts to check the rising trend of prices.

There are several important arguments for food subsidies: To stimulate production, to protect the consumer, to eliminate inequities, and to prevent general inflation.

PRODUCERS

There is little question but that subsidies would stimulate production of this or that food, but whether the total supply would be materially augmented is a question. The only important justifications of subsidies to food producers are to shift production or to get food that otherwise would not be produced.¹ At present prices most farmers are operating near capacity and the problem is to subsidize those who could expand production still further. To locate these particular producers and determine the exact amount of subsidies required would be expensive and time-consuming.

It has been stated that subsidizing high-cost copper producers has saved \$28 for every dollar the government has spent.² In the absence of convincing evidence the magnitude of this saving may be questioned. But even if true for copper, it does not follow that such subsidies could be used in agriculture. It is one problem to find the high-cost producers among the

¹Under a program of rigid ceiling prices, guaranteed minimum prices may be necessary to insure ample production of certain crops. In the event of a large crop these minimum prices may involve some cost to the government, but in wartime this may be better than risking a reduced acreage which would follow low prices.

²New York Times, page 20, November 2, 1942.

small number of copper mines,² but it is quite another problem to find the high- and low-cost operators among the millions of food producers, food processors, and food distributors. Agriculture has a wide range of costs and it would be difficult to determine costs for these millions of producers. Presumably, then, the subsidies must be scattered about among the high-cost and low-cost producers on the basis of production. Most of the benefactions fall into the hands of low-cost producers who produce the bulk of the food and are already operating near capacity. Insofar as this is true, the subsidies are a benefaction and ineffective for the purpose intended.

CONSUMERS

Although many persons favor subsidies because they think they will increase production, the vast majority favor them because they help hold down consumer food prices. Leaders of labor and other consumer groups sponsor subsidies on the assumption that they will keep down food prices and thereby maintain or increase the purchasing power of the incomes of the groups they represent. Since the cost of living and weekly earnings have risen about 25 and 75 per cent, respectively, from August 1939 to October 1943, the organized laborer's case has lost some of its force. The interest in subsidies, however, has not waned. The white-collar workers have not had commensurate increases and have become the forgotten men that should be brought under the protective wing of the government. How to get them there and protect them is of course a conundrum. By the use of subsidies the government could temporarily depress the food prices for the white-collar consumers and thereby could increase temporarily their purchasing power. While the government was subsidizing white-collar worker's food, it would also be subsidizing many organized laborers who do not need assistance. Therefore, the government would be pouring additional purchasing power on the "just and unjust." It would pass into the hands of a few that need it and many who do not. Subsidized purchasing power in the hands of those who do not need it is a price-raising force and affords little protection to that part of the so-called white-collared group who really need it. If equality were to be attained, it would also be necessary to distinguish between those who *need* it, and those who *want* it. Since everyone wants more income, many persons erroneously conclude that they need it. There is a much greater difference between those that *need* it and those that *want* it than is generally realized.

INEQUITIES

Wartime subsidies are one of the defensive weapons used in the retreat of a regimented price economy. The first step was to attack with general price-fixing orders. Since these proved ineffective, because they created many inequities, the strategy was shifted from attack to defense. The first defense weapon was rationing, which in turn was only partially effective because it did not eliminate previous inequities and in fact produced still more. To hold the retreating line subsidies were called for. The demand for subsidies was an admission that low ceiling prices impeded the production of this or that commodity and had not protected the consumer or eliminated inequities as it was assumed they would.

Where subsidies fail to hold the weakening line, there is no new surprise

²The government's fixed price for copper is 12 cents per pound, and the government pays 17 cents per pound for that produced in excess of fixed quotas. This type of subsidy is not much different from the cost-plus government contracts.

weapon of defense. Therefore, it is necessary to use more and more subsidies. This was well-illustrated by government legislation and WLB administration which subsidized union labor. It now appears to some that it is necessary to subsidize the white-collar classes to give them equality with other more favored groups.

There is another excellent illustration of the cumulative inequities and the necessity for more subsidies once the first step is taken. The government subsidized hog production with high prices for pork and low prices for corn. To correct one of the errors, milk production was subsidized with cheap wheat and later with direct dollar payments. If continued, it will be necessary to subsidize the civilian consumers of wheat and corn to protect them against the subsidized cow which was subsidized to protect it against the subsidized hog. When the nation starts to use subsidies, inequities follow and there is no end except more and more subsidies to correct the mounting inequities.

It has been pointed out that subsidies cannot hold the line unless accompanied by rigid price controls, inflexible wage controls, firm savings programs, and vigorous tax measures. If that Utopia were attained, there would be no inequities and the necessity for subsidies would be nil. Since imperfect legislators and imperfect administrators have not given us rigid price and wage controls and have not syphoned off excess purchasing power by vigorous fiscal and savings programs, it follows that huge amounts of imperfect subsidies would be required in the attempt to eliminate the subsidized inequities for the 125 million imperfect civilians.

INFLATION

Subsidies are no protection against inflation. In fact subsidies are inflationary. They increase the purchasing power of consumers which is anti-social in times of war. If the increased purchasing power is spent, it causes immediate inflation through rising prices and, if not spent, it will probably cause postponed inflation through the so-called inflationary gap. In addition subsidies add to the government's fiscal expenditures which is also anti-social in times of war. The problem is to keep down the government's non-war expenditures and to reduce civilian purchasing power to the bone. Food subsidies, therefore, are not a war measure as some contend. They are just as much a political measure now as they were in the early thirties.

Subsidies and taxes are as opposite as the poles in their effect on inflation. Taxes reduce the purchasing power of consumers and transfer that purchasing power to the government. Subsidies increase the purchasing power of the consumer and decrease the purchasing power of the government. Shifting purchasing power to civilians from the government results in immediate or delayed inflation which is ultimately a tax on consumers. The bigger the wartime subsidies, the greater the inflationary force. Ultimately, despite rigid controls, inflation will operate as a tax to partially offset maladjustments created by mounting subsidies. Wartime inflation is a flat tax and is no respecter of persons.

Food subsidies do not increase materially total food production; they do not syphon off excess consumer income; they do not eliminate the so-called inflationary gap; they do not decrease the government debt; they do not eliminate inequities; and they do not prevent inflation. Subsidies are just as attractive and just as elusive as the pot of gold at the end of the rainbow.

F. A. PEARSON AND W. I. MYERS

June 7, 1944
12:10 p.m.

ARMY DATA FOR WAR BOND SPEECHES

Present: Mr. D.W. Bell
Mr. Fred Smith
Mr. Haas
General Clay
Mrs. Klotz

H.M.JR: On the other hand, there are certain things that have to increase. He is having a hell of a time with Jimmy Byrnes who doesn't want him to start any new plans. Anything to do with artillery and ammunition and big guns has been increased.

Now, so far they wouldn't tell me. Bell has to get it from - he has to call up Patterson and say, "Now, Morgenthau wants to know where the hell these plants are. Why not tell Morgenthau and he will go and make an address for you at some big gun and ammunition factory. How much have you increased this?" So that we know. big guns, big artillery, and big ammunition - they are terribly short, see?

MR. BELL: Yes.

H.M.JR: They increased the five billion dollar loan.

MR. BELL: They have increased this just recently?

H.M.JR: Yes, he called up Somervell while I was there. But the impression I got from him is this: The war - as he calls it, a flaming war - has just started; we only have infinitesimal people there.

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As he says, for instance - to give you a little example - now, get this, Fred - the reason for the success - I couldn't get it out of Stimson the other day - success of the drive in Italy has been that they have maintained the regiments to full strength and constantly renewed their equipment.

For example, if a group of men come out, they put them in a shower - take all their clothes off them, give them a shower, completely equip them, and put them back in again. Their equipment is completely changed - new equipment goes in. And you can imagine the cost of it. He says this is an entirely new policy and is what put these troops through. And they have been up against a Herman Goering Division, which is the apple of Hitler's eye, and they licked that.

You will have to get somebody to give us more details, so we are sure they are right. But the idea is, why has this thing cost seven billion dollars - because, as I say, they completely re-equip a whole regiment, clothes for the men, artillery, and so forth, and that is the expense. That has to be repeated between here and Berlin, and the expense is going to be enormous. There are no substantial reserves; there is no place to put them, see?

Now, I want you fellows to go in a huddle and find out where you can get these things.

MR. BELL: May I tell Fitz to hold General Clay in my office? He is there and getting ready to leave.

(The Secretary sends for General Clay)

H.M. JR: Then they said in the last calendar year they actually took delivery of twenty-three billion dollars - the Army did; this calendar year they are calling for twenty-four billion dollars. I have never seen that figure before. Any idea that they need less is ridiculous, they need more of everything, do you see?

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Now, that has not been put over. I showed him this Wall Street Journal; he was shocked. He said he can't even convince Byrnes of his needs. Naturally, he is tickled to death to have me go out and do this talking. But the Army - Clay will be swell, he would get it because Somervell has all these things. Everything is yet to be done.

(General Clay enters the conference)

MR. HAAS: That checks with all the figures I have here.

H.M.JR: I just spent half an hour with General Marshall, see? I always do this before I go out, to get the perspective. I mean, I won't go into the military part because I don't make any notes on that, but let me just run over it.

To make these speeches I need facts, and Somervell gave me some, but I need more, you see. I showed these headlines to General Marshall - those two extremes.- what I want to do for the Army and for my country. He told me you people in Italy - how you completely re-equipped a regiment, how you gave all new clothes and all the rest of that stuff; and by doing that, and keeping the regiment up to full strength, that is the way they have gone ahead.

Now, I would like that in more detail. What does it mean? I mean, I don't want to make a statement that isn't accurate. It might just as well be correct. But just what do you do in Italy to these regiments when you pull them out, that I can tell the people? We have an over-all picture that it cost seven billion dollars to go from Naples to Rome. We got that from you people, but why?

Then I am going to say, "Well, the public can use their own imagination, how much it is going to cost to go from the beaches of France to Berlin."

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Now, the thing that I want to put over, in sincerity, not on account of the bonds, because I will sell my bonds, but I want to help the Army and help win the war. I want to put over this thing, contrary to Baruch, Hancock, and Byrnes, and Mr. Nelson, that the war has just started, do you see - I got this from General Marshall - and the expenditures are just going to start.

I want more detail - what you did with these regiments there. Then, for heaven's sake, loosen up on the stuff that General Marshall told me about you putting in these additional orders for heavier artillery and ammunition, and where the hell are the plants? Why not let me go to one?

But he gave me these figures which he got from General Somervell. He placed a billion dollars of additional orders. Then he gave me these figures that there was twenty-three billion dollars' worth of delivery in the last calendar year, and twenty-four in this.

GENERAL CLAY: That is right.

H.M.JR: But if you could take somebody - if I could pin this on you - I am leaving the very first thing Friday morning. I want to be able to go out and tell the American public that as far as the expenditures are concerned, the thing has just started, and this idea that we landed and the war is over, is the bunk. But I have to have facts.

Now, General Marshall gave me the indication - he didn't have the time - he shouldn't have it - as to illustrations that people want. Someone said, "Do you mean you started new plants or old," and so forth. All you have to do is to read that paper. The people are resigning because they can't settle how they are going to close up the plants, and damn it, here you people are opening new ones. Now, I have had the audience.

GENERAL CLAY: Going to build more tanks next year than this year.

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H.M.JR: Now, unless you people are dumb, and I never thought you were dumb - I am begging you to use me; I want to be used, because I don't want the American public to sit back and say, "O.K., we will use the gasoline, we will do this and that, and get a safe job. The war is over; why work for a gun factory if you can work for a vacuum cleaner plant," and so forth and so on.

Now do you know what I want?

GENERAL CLAY: Yes, sir.

H.M.JR: Can I get it?

GENERAL CLAY: Yes, sir. I will have some figures in your hands tomorrow.

H.M.JR: but make it colorful, so it isn't just cold. I would like to say - we asked here a couple of weeks ago, what about this program for heavy guns, and so forth. Well, they wouldn't say - they wouldn't even tell me, which I thought was childish. But if I read that paper I would say the only thing for me to worry about is how can we close up all the plants. Here you people want to open new ones.

GENERAL CLAY: You can take a figure, for example, of where we had two hundred thousand men in North Africa and we used so much artillery ammunition; here in Italy we had so many more men and we used about eight times that much artillery and ammunition. That shows a picture that we face as we go into the Continent with still more men.

H.M.JR: Yes, and if it is true, relatively higher stuff. We are going to begin to burn this stuff up and destroy it. General Marshall says there are no large stockpiles anywhere. This stuff is going to be destroyed, and we have to go full speed ahead on production, and nobody in America believes it. With the President and OWI - I mean, they just don't believe it. I believe it because General Marshall told me so. I am willing to tell it, but you have to give me facts.

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GENERAL CLAY: I will have some in your hands tomorrow, sir.

H.M.JR: Supposing, in case they come late, I think the best way is to put it right into Mr. Bell's hands. Do you know what I want?

GENERAL CLAY: Yes, sir.

H.M.JR: Am I really going to get it?

GENERAL CLAY: Yes, sir.

MR. BELL: If you need me, I will sit down with you and look them over before you go into the final stage.

GENERAL CLAY: For example, I know the number of tanks knocked out in Italy; we can convert that into numbers of tanks and money, tanks that have to be replaced because they were destroyed.

H.M.JR: While you are on it, General Marshall told me I could have the figures of the exact detail of equipment destroyed in Sicily. He gave it to me - a telegram from General Eisenhower. I put it in a speech - everybody hit the ceiling. General Marshall gave it to me, this is what is destroyed, it went through. Then we piped it into the plants that actually made the equipment and said, "You made these tanks; so many have been destroyed" - fifty to sixty percent." It went over big, didn't it?

MR. SMITH: It did.

H.M.JR: Now, if you can do something like that for me again, the number of tanks, and so forth, and the increasing tempo of the destruction of these things - because I take it you agreed with me that the American public thinks they can sit down--

GENERAL CLAY: Yes, sir.

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H.M.JR: I am willing to be your mouthpiece if you give me the facts.

GENERAL CLAY: I will have them for you tomorrow.

H.M.JR: A little colorful detail. Now, I listened to Mr. Stimson. I take it it is my fault, but I couldn't understand what he was trying to get over about what you did with the regiments. I listened. It meant nothing.

I know you did something different in Italy handling the troops at the front than you have ever done before, with the result that you were able to crack through. I don't know - I don't think anybody has explained it to the American public. You did it and it cost money; it is going to cost money again.

GENERAL CLAY: I am sure I know the story you want, sir. I will have some facts in Mr. Bell's hands tomorrow.

H.M.JR: As I say, so-many Chrysler tanks destroyed - "Hell, get back there and do this and that and the other thing. Do you understand that of the tanks you built, fifty or sixty percent was destroyed?" Nobody tells them that.

Am I crazy?

GENERAL CLAY: I don't think so.

H.M.JR: I think that newspaper is crazy, after listening to General Marshall.

GENERAL CLAY: Well, in spite of all of that, our program is going up every day, Mr. Secretary.

H.M.JR: All right, you have to pay for it, and I have to raise the money. And I want to convince the people that own the money that they should lend it to me. That is where I come in the picture. It is their money; they own it. They have to lend it to me. And I don't want sixteen billion dollars, I want twenty.

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GENERAL CLAY: I will get onto it as soon as I get back to the office and have something over here tomorrow.

MR. BELL: I think the people will be very pleased to hear about re-equipping the troops in Italy - giving them equipment to protect themselves.

H.M.JR: As General Marshall says, you take a man who comes out, he has been up to the front, he is buggy, and so forth - he takes a shower, has a complete new uniform, and so forth.

Oh yes, now here is a figure, for instance: These two particular regiments have advanced eighty-four miles; that is due to this new method - a world record. It is that kind of stuff. It isn't that I want to make a speech; I do want to make a speech, but I want to carry a message that will be useful.

GENERAL CLAY: It will be very helpful to us. I am sure I know what you mean, sir. I will have some facts over here tomorrow.

H.M.JR: You see, in between I don't speak very much. It will be fresh. I have the radio hookup; I am talking from Texarkana and Los Angeles.

Do you know the story, Fred, of the new technique that they have used to make these regiments go forward?

MR. SMITH: No, I just assumed they had more men there, or something.

H.M.JR: No, that isn't the story, is it?

GENERAL CLAY: That is right, sir; it is the old substitute system.

H.M.JR: I couldn't get a better man to help us.

GENERAL CLAY: Thank you, sir.

June 7, 1944
1:10 p.m.

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Grace
Tully:

Well, I got in touch with the Secretary of Commerce and the Secretary of Commerce is holding it up until you and Mr. Stettinius have had a chance to talk it out.

HMJr:

Good.

T:

So that's that. Apparently it hadn't been done so that was good.

HMJr:

Well, that's good because it's a silly piece of business.

T:

Uh huh.

HMJr:

And what else can you do for me?

T:

(Laughs) I don't know. What else do you want me to do for you?

HMJr:

Nothing -- well, I gathered a very gentle hint from you that -- now that -- that you only make the bedroom appointments and there are no more bedroom appointments.

T:

Well, there haven't been any morning -- early morning appointments.

HMJr:

So I go out the other way.

T:

(Laughs) I'm afraid if it's in the office, you have to.

HMJr:

I see. In other words, if I see the President in bed, it's you.

T:

(Laughs) Or after hours.

HMJr:

All right.

T:

(Laughs)

HMJr:

Thank you.

T:

Good bye, Mr. Secretary. Bye.

June 7, 1944
2:45 p.m.

SELECTION OF DELEGATES, MONETARY CONFERENCE

Present: Mr. Smith
Mr. O'Connell
Mr. White
Mrs. Klotz

H.M.JR: You can try it first on the phone, see? If you have no luck, then, I think, you and Joe ought to go up on the Hill.

MR. O'CONNELL: What are we waiting on?

H.M.JR: Waiting to hear from Barkley, and I just cannot--I mean, I am so pressed for time that I just can't do it. I thought if you fellows could clean it up, I could get word still this afternoon from Miss Tully and say I could do this thing and get a clearance on it. Otherwise, it won't get done.

MR. WHITE: Yes, we will have to move along.

H.M.JR: Then the other thing I have thought of. If you people will work together, see?

MR. WHITE: Yes.

H.M.JR: The other thing I was thinking about, I like this suggestion pretty much of asking Fred Vinson to be a delegate. He sent word to us he would like to be a delegate.

MR. WHITE: I am not sure that he sent word. I got word. I mean--

H.M.JR: Well, Ben Cohen called up.

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MR. WHITE: That's right. I am glad you like it, because the more I think of it, the more I like it, too.

H.M.JR: In the first place, the man is a Roosevelt Democrat, and with the exception of Harry and me, there ain't any on the committee.

MR. WHITE: That's right.

H.M.JR: And don't forget that Dean Acheson asked the question, who was going to be my deputy, acting, do you see?

MR. WHITE: Did he ask that in my presence? I didn't hear him ask that.

H.M.JR: Yes, sometime ago. Now I can't take each of you in the corner and ask you, - I don't know. I don't know whether White thinks he should be deputy when I am not there, whether Acheson thinks he should be there--

MR. WHITE: No, there is no such thing. There are vice presidents of foreign countries who act. There is somebody who acts in your place in one committee and others on others. We are protecting our interest. There is no such thing as a deputy as a whole. But we would like to go into that with you. No, I shouldn't be your deputy. I am taking care of those committees which I have to be on and are important.

H.M.JR: You are not thinking of yourself in terms of my deputy?

MR. WHITE: No, I am not. I would like to be chairman of what they call the "Commission", which deals with the international fund. You won't be that, anyway. You are Chairman of the Conference, you are chairman of the steering committee. The vice presidents are to take your place. They will probably be foreign vice presidents, if you are chairman of the committee and are not there, but you will be there when it is important. When it isn't, then they can take

-3-

your place on the steering committee. That is an important post, and when you leave, we are trying to decide how we can protect our interests while you are gone. We haven't decided yet, but in any case, it won't be a deputy.

H.M.JR: I was thinking, to protect our interest, I have real confidence in Vinson. The fellow is very loyal to Roosevelt and I was thinking whether he wouldn't be a better fellow.

MR. WHITE: He would be better than anybody else on there.

H.M.JR: Than Acheson?

MR. WHITE: Yes.

H.M.JR: The Roosevelt Democrat. He is a fighter, and I was thinking, now the other side of it is, he may be doing it but that is unimportant, because the Chairman of the Banking and Currency is from Kentucky--

(Secretary holds a telephone conversation with Colonel Edward Heiler, as follows:)

June 7, 1944
2:51 p.m.

HMJr: Hello.

Colonel
Heller: Hello, Henry. This is Ed Heller.

HMJr: Hello, Ed.

H: Say, I'm terribly sorry to have to report to you that I haven't -- that I can't make much of a suggestion to you.

HMJr: You can't.

H: The only man that I can really think of there at all has probably already occurred to you.

HMJr: Yes.

H: And that is Henry Grady.

HMJr: Henry Grady?

H: Yes, Henry Grady was formerly Assistant Secretary of State.

HMJr: Oh, yes.

H: And he is now Chairman of the Federal Reserve Bank of San Francisco and President of the American President's Line.

HMJr: President of what?

H: Of the American President's Line.

HMJr: Oh, yes.

H: That's the successor to the Dollar Steamship Company.

HMJr: Oh, yes.

H: And he was formerly head of the College of Commerce at the University of California.

HMJr: Yeah.

H: Now, I don't know whether he would be interested in it or not but he's a -- he's a very good man.

HMJr: Yeah. He is president of the President's Line....

H: The American President's Line.

HMJr:and also of the Federal Reserve Bank.

H: Chairman of the Federal Reserve Bank.

HMJr: I see. Well, that's not a bad suggestion.

H: Well, he's a very high-grade man.

HMJr: Yeah.

H: And has been sympathetic with the Administration for a long time.

HMJr: Yeah. Now, let me ask you this, Ed. That -- that's a very interesting suggestion. Now, let me ask you, one that was made to me -- Elliott McAllister of the Bank of California.

H: Yes.

HMJr: Do you know him?

H: I do. I don't know him well. He's a -- he's a very decent, fine individual. I don't know what his views are.

HMJr: Yeah.

H: He's respected. I don't think he's very well known.

HMJr: Uh huh. I see. But as between these two of them I would gather that Grady would be a much better man.

H: I think he would be.

HMJr: Right. Well, thanks for the thought. We'll talk it over here.

H: All right, sir.

HMJr: Ever so much obliged.

H: How's your family?

HMJr: Mine's very well. And yours?

H: Splendid.

HMJr: Well, give them my best.

H: I certainly shall. Glad to hear from you.

HMJr: Thank you, Ed.

H: Okay.

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H.M.JR: That isn't a bad suggestion.

MR. WHITE: No, it's a good suggestion. We know him well. He will cooperate fully. He is former Assistant Secretary of State. He is a moderately good economist and can make a good presentation and he has apparently the title on the West Coast.

H.M.JR: And he is the head of this other thing.

MR. WHITE: That's right. He will be interested in both these things. I think that is a good suggestion.

H.M.JR: I was talking to a distant cousin of mine, Ed Heller, who is related to the banking business. Here is a young fellow in the banking business. He is a partner of Kaiser in several kinds of enterprises, Kaiser Cement, Kaiser Gravel, so they make him an Army officer and attach him to the Federal Reserve of Boston on V Loan. His territory is the Pacific Coast. So that he surely does not know anything about the territory--they sent him to Boston. He happens to be a Roosevelt Democrat. His mother was, I think. They are very good Roosevelt Democrats.

.....
MR. WHITE: Vinson and Grady would strengthen the delegation. I mention this only if you are looking for a banker. You know they had a bank meeting on the Board. All the Federal Reserve Banks on this matter, all day yesterday. I got three different reports. The Board approved, with the exception of McKee, they approved to go along, and Williams was there and from reports, it was the first time anybody had seen him very emotional. He didn't do a good job. John Williams, that is. He is against it. According to Brown who told Bernstein, so I have it third-hand, they were moderately favorable. According to Goldenweiser the Board was very favorable and it was a very good meeting. According to Hansen, it was an excellent meeting and they just slew the opposition. Take your choice. But they had the twelve banks and this man made a very strong statement

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and presentation in favor of going along and in favor of the project. I know nothing else about him.

H.M.JR: The way I feel now, I am afraid of getting this thing so weighted--

MR. WHITE: Not if you get the other two.

H.M.JR: I think if you add Henry Grady and Vinson--

MR. WHITE: It would be excellent, and call it a day. I think that is getting large enough.

H.M.JR: Isn't that good?

MR. WHITE: I think they both will strengthen the delegation.

H.M.JR: You might type up for me the address and title. I will send this letter tomorrow in care of the steamship company.

MRS. KLOTZ: You are speaking of Grady?

H.M.JR: Yes. Now if you fellows will get on your way, maybe you can do it on the phone. I am tired, but I wanted, if possible, to get a clearance, so I can say to Miss Tully, "Look, I want to call this meeting at three o'clock tomorrow. If it's all right, I want to ask Grady and Fred Vinson.

MR. WHITE: Do you want to speak to Dean Acheson about Grady and Vinson?

H.M.JR: Yes, you will have to. I can't do another thing except talk to Miss Tully on this, this afternoon, including Fred Smith.

(Everybody leaves the conference but Fred Smith)

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MR. SMITH: Well, can I ask you one little question?

H.M.JR: If you want to cheer up, send for Joe Gaydica.

MR. SMITH: I just saw him out there. Bernstein has eleven items about the Treasury policy on international monetary cooperation. Do you want him to send those right to Gaston?

H.M.JR: Oh, Gaston can't do anything. We will have to do that.

MR. SMITH: I am just asking, because you mentioned Gaston.

H.M.JR: he isn't well enough.

MR. SMITH: All right. We will go on from here.

H.M.JR: You have heard about it?

MR. SMITH: Yes, indeed! I am very happy about it. Everything is clearing up. Pieces are all falling in place.

H.M.JR: Come here, young fellow. Come here and see Papa. (Shakes hands with Fred Smith) Okay.

MR. SMITH: Well, you know you always worry and at the last minute those pieces of the jig-saw puzzles that Mike took and put under the table, come back.

STANDARD FORM No. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1926

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

Official

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

2-14117

JUNE 7, 1944

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

NIGHT LETTER

MR HENRY GRADY
FEDERAL RESERVE BANK
SAN FRANCISCO, CALIFORNIA

ON BEHALF OF THE PRESIDENT OF THE UNITED STATES AM EXTENDING TO YOU AN INVITATION TO BE A MEMBER OF THE AMERICAN DELEGATION TO THE MONETARY CONFERENCE STARTING JULY FIRST. WILL TELEPHONE YOU THURSDAY AFTERNOON, JUNE EIGHTH.

HENRY MORGENTHAU JR

June 7, 1944 227
3:27 p.m.

Roberta
Barrows: Hello, Mr. Secretary.

HMJr: Hello, Roberta. How are you?

B: Fine, thank you, sir. The General has you
down tomorrow with Mr. Pehle and we think
it will go through all right.

HMJr: I hope so because you know I'm leaving town
tomorrow night.

B: Yes, he knows that.

HMJr: And....

B: He has you down at twelve fifteen. That may
change.

HMJr: Well....

B: And we'll let you know in the morning.

HMJr: You stick by him now.

B: We surely will.

HMJr: Thank you.

B: All right, sir. You're welcome.

HMJr: Bye.

B: Bye.

June 7, 1944
3:35 p.m.

HMJr: I don't know what time of day you see the President now, but I want to get a message to him through you today. Are you going to see him again?

Grace Tully: Yes, I expect to see him later this afternoon. Yes, sir.

HMJr: How much later?

T: Oh, could be half an hour or more.

HMJr: Well, I'd better tell you what I have on my mind. Do you remember -- oh, I don't know whether it was a week ago I -- well, I guess I did it through Pa -- The President was going to talk to the Leaders about who should be the delegates to the Monetary Conference, and I got a message that I should go up and see the Leaders myself, which I have, and they're terribly slow. See?

T: Yes.

HMJr: But we ought to hear from both Barkley and Rayburn some time today.

T: Yes.

HMJr: Now, here's my problem. I'm going away tomorrow night....

T: Yes.

HMJr:to go -- start to speak on the War Bonds, you see?

T: Yes.

HMJr: And I'd like to call a meeting here at three o'clock at my office tomorrow to get these delegates organized.

T: Yes.

HMJr: And I wonder if the President will be satisfied if either late tonight or tomorrow morning I get word from Barkley and Rayburn who he wants, if I go ahead and call them to this first informal meeting....

T: Yes.

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HMJr:and he can, maybe, if I get word -- I may not hear from Barkley until tomorrow, then I can't reach the President tomorrow, you see? Do you think I can -- all I want to know is, is he satisfied if Barkley says it's going to be, let's say, Senator Wagner and somebody else....

T: Yes.

HMJr:and Rayburn says it's going to be so-and-so?

T: Yes. Those are just your Congressional ones, huh?

HMJr: Yeah. Can I go ahead and -- without checking with him again....

T: Yes.

HMJr:and call this meeting for three tomorrow, you see?

T: Yes.

HMJr: And then I want to add two names which I hadn't suggested to him before.

T: Yes.

HMJr: He's left this all entirely to State Department and me and State is with me on this.

T: Yes.

HMJr: And the State Department went up on the Hill with me in the person of Dean Acheson, you see?

T: Uh huh.

HMJr: I want to add Henry Grady of San Francisco....

T: Uh huh.

HMJr:who is now President of the Federal Reserve Bank of San Francisco.

T: Yes.

HMJr: And Fred Vinson. I'd like to add those two.

- 3 -

T: Yes, sir. All right. I'll see what I can find out on that and call you back a little bit later, Mr. Secretary.

HMJr: And if -- how late do you stay -- because I'm going to the dentist at five.

T: Well, I'll be here, probably, until around six or a little after.

HMJr: Well, if I don't get word from you before I go to the dentist, I'll call you from the dentist's. How's that?

T: All right. Fine. All right, Mr. Secretary.

HMJr: Thank you.

T: All right, sir. Bye.

June 7, 1944
3:40 p.m.

WAR REFUGEE BOARD

Present: Mr. Luxford
Mr. Pehle
Mr. DuBois
Mrs. Klotz
Mr. White

MR. PEHLE: This is the aide memoire we got from the British. (Refers to memoire of June 5 from the British)

H.M.JR: You're not talking to Dr. Wise, so talk up.

MR. PEHLE: All right.

H.M.JR: Get off your orthodox manner.

MR. PEHLE: The problem is, how we can take advantage of this and keep the thing alive. The British have sent it to us in such a way that it is very difficult to go back directly to Steinhardt and say, do this or do that about this proposal.

(Mr. White enters conference)

H.M.JR: Harry, I insisted that you should not come and they insisted you should. I said it was cruelty to all animals.

MR. WHITE: I think it is a good spot for me to get out.

MR. LUXFORD: Thanks.

H.M.JR: That's what they said. Mr. Pehle said he wanted to bring in "the boys" and you are one of "the boys". What is the meeting you all want to get out of?

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MR. LUXFORD: Mr. Kelchner.

MR. WHITE: We have to go back there.

H.M.JR: All right.

MR. PEHLE: It has been suggested that we send a cable.

H.M.JR: Excuse me. John Sullivan said some newspaper man came in to complain, so he, John Sullivan, was getting a list of all the hotels in New Hampshire.

MR. WHITE: He told me--he is doing this for New Hampshire.

H.M.JR: Yes, but if you know about it, it's all right with me.

MR. WHITE: He just told me.

H.M.JR: The Chinese Embassy wanted some place for their wives, too.

MR. PEHLE: The suggestion has been made that we send a cable back to Steinhardt, from whom we had previously received some of this story, to point out to them in the cable we want to keep the thing alive and say that coincident with Hirschmann's going back--which he is going to do on Sunday--that we are sending a special representative of the War Refugee Board to Ankara, that has the views of this Government in reference to this matter.

H.M.JR: Who's that?

MR. PEHLE: Hirschmann.

H.M.JR: You're not naming him?

MR. PEHLE: Yes, he will be named, but to tell the Germans that we are sending a special representative. Now, most of the people, I take it, here feel that that

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is what we ought to do. I just want to throw in a note of doubt and see how you feel about it. If you feel it is all right, then I don't much worry. The thing that worries me about it is this: (a) It comes through the British in such a way that they have practically told us, "Don't do anything without coordinating your policy with us". That is the first point. The second point is that we haven't told the Russians anything about it. Now, I don't know how important it is at this stage of the war, not to take an action which involves dealing with the German Government, the Gestapo, and sending a special representative, because that is what we are going to tell the Germans, to Ankara to deal with them, without first coordinating with our Allies.

H.M.JR: While you are waiting to coordinate with the Allies, it means the Combined Chiefs of Staff, and these poor people will all be dead.

MR. LUXFORD: Exactly. We will tell them about it, Mr. Secretary.

H.M.JR: There is only one person I would like to have satisfied. I would like to have McCloy satisfied. Do you think you can satisfy him?

MR. PEHLE: ..I think so.....

H.M.JR: I don't even make that a "must", but I would feel lots happier if McCloy was satisfied. As far as I am concerned, it doesn't bother me a bit.

MR. WHITE: Do it informally.

MR. DuBOIS: We can inform them immediately what we have done.

H.M.JR: I didn't even say that, but I won't fuss around with it, but I would like McCloy to know the cable has to clear.

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MR. DuBOIS: This will go direct to Stettinius.

H.M.JR: And then that keeps my original bargain with Stimson on these things that Stettinius would know and if Stettinius is willing to send it and McCloy says "Okay", I am perfectly satisfied, and I wouldn't wait. My God, I wouldn't wait for anybody! I am perfectly willing to stand up and say--and use the example of the experience I have had with the Combined Chiefs of Staff--God, you wait for the Combined Chiefs of Staff to act, maybe that's why it has been so long about having a second front.

MR. WHITE: I think this thing has potential possibilities. I am not sure in what direction. I think Joe DuBois ought to go along. I feel very strongly about that, because this fellow Hirschmann is a very good man, but I got a letter from Irving Friedman--

MR. PEHLE: That's right, there are disturbing elements about Hirschmann.

MR. WHITE: That's why I would like Joe DuBois to go along. This might be a very important thing.

H.M.JR: Listen, if we argue much more about it, I will change my mind. I have done a little checking of my own on Hirschmann. Hirschmann is all right. There are people who don't like him. He is very direct and very brusque, and so on and so forth, but I have yet to find anybody--the only criticism of Hirschmann, he doesn't see things through. He gets bored with them.

MR. DuBOIS: I think this, Harry, he is very much interested.

MR. WHITE: Never mind about Hirschmann.

H.M.JR: Luxford, have you been working on Harry White to get out of Washington?

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MR. LUXFORD: It is a touchy subject, Mr. Secretary.

H.M.JR: So would I; so would Mrs. Klotz; so would Mrs. Dickinson.

MRS. KLOTZ: I think Harry has a point.

MR. PEHLE: I am not going to lightly send Joe DuBois out.

H.M.JR: That is not going to be my decision until Pehle recommends it. You have what you wanted out of me?

MR. PEHLE: Yes, sir. I would like to mention one more sentence.

(Everybody leaves conference but Mr. Pehle)

MR. PEHLE: It is tied in with what you just said. Luxford is going up to the Conference in Bretton Woods--

H.M.JR: I didn't even know that.

MR. PEHLE: Yes, he is going up there and I have been asked whether I would consent to DuBois handling his work while he is gone. I am willing to do that for obvious reasons.

H.M.JR: Who asked that?

MR. PEHLE: Joe O'Connell and Luxford, but I didn't want to do it without your okay. They are doing that because they are thinking of sending Aarons to London.

H.M.JR: Well--Harry started me last night on Aarons and before I give up any more lawyers to anybody, they are going to have a hell of a time. I wrote a memorandum to Charlie--

MR. PEHLE: They will have to raise it with you but if they need DuBois while Luxford is gone, I want to give it to him.

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H.M.JR: That is something else, but before they take any more of these bright lawyers and send them all over the world, you are going to have trouble with me.

June 7, 1944
3:52 p.m.

HMJr: Hello.

Ernest
Olrich: Hello, Mr. Secretary. Olrich speaking.

HMJr: How are you? I'm just in the process of signing Order Number 53 which makes Ernest L. Olrich an Assistant to the Secretary in charge of the Procurement Division.

O: All right, sir.

HMJr: Now, Charlie Bell will go back and he'll talk to you, and he and you and Sullivan get together and the combination of you can break the news to Cliff Mack. I'd do it but I'm leaving town tomorrow night and I ain't just got time.

O: No. Ah -- we'll be glad to do it.

HMJr: So when Charlie goes back, he and Sullivan and you get together and you do it, and tell Cliff when I come back from the West Coast, I'll see him.

O: Yes, sir, I will.

HMJr: Is everybody happy?

O: Yes, they are. We're -- we'll make more progress. We're beginning to get men and we're moving merchandise and information is coming. I think you've had several reports which I think are a little more enlightening than some you have received.

HMJr: I hear you're forcing a lot of jeeps on me for War Bond sales.

O: (Laughs) I think it's in reverse.

HMJr: Did you get me one?

O: I'm going to get you one. I don't know how I'll get it -- I'll get -- I've got one but it's not a good one, but I'll have it. If I have to gold-plate it, you'll get it.

HMJr: All right. Well, I -- I think it's a wonderful way to dispose of them. Sell them to the Junior Chamber of Commerce and they'll sell War Bonds.

O: Right. We'll have it there. You can count on it.
HMJr: Wonderful.
O: Righto.
HMJr: Thank you.
O: All right. And I hope you have a good trip.
HMJr: Thank you.
O: Thank you, sir.
HMJr: All right.
O: Good bye.



THE SECRETARY OF THE TREASURY
WASHINGTON

June 7, 1944

TREASURY DEPARTMENT ORDER NO. 53.

Effective from and after this date, the Procurement Division is assigned to the supervision of Mr. Ernest L. Olrich, Assistant to the Secretary.

Treasury Department Order No. 49, dated May 27, 1943, is revoked and superseded by this Order.

W. M. C. C. C.
Secretary of the Treasury.



June 7, 1944
4:00 p.m.

ADVERTISING COPY, FIFTH WAR LOAN

Present: Mr. Gamble
Mr. Fred Smith
Mr. Robert Smith
Mrs. Aikman
Mr. Sinclair
Mr. Cobb
Mr. Rainbolt
Mr. Peabody
Mr. Stone
Mr. Alexander
Mr. Delehanty
Mrs. Klotz

MR. GAMBLE: We have one new person, Mrs. Aikman. She came down on the radio copy (introduces Mrs. Aikman).

H.M.JR: Oh. Fifty-fifty on women interest - one horse, one rabbit--

MR. GAMBLE: One woman and nine men.

H.M.JR: Don't they have any women write copy in America?

MR. PEABODY: They have a lot of them, Mr. Secretary, but they can't take this Washington job, they are not strong enough.

MRS. KLOTZ: "Sez you"!

H.M.JR: Well, Mr. Chairman, where are you?

MR. PEABODY: Well, we are just about cleaned up as far as we can be now, Mr. Secretary. We have here three ads, two for newspapers and one for magazines, on the theme you suggested yesterday.

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Would you like to read these yourself, or would you like to have them read to you?

H.MLJR: I like your voice!

Incidentally, the President had a press conference at the same time I saw you people yesterday, and he stressed exactly the same thing.

MR. GAMBLE: Over-confidence.

H.M.JR: I don't know whether Ted told you people about my talking with General Marshall this morning. He says all the bunkers and all the hurdles are ahead of us. He isn't scared, as they say, but there are a lot of very difficult things to overcome, especially on production.

We have been getting the figures and I hope to use them in Texarkana. They are opening new plants instead of shutting them down, and everything is for more spending of money and increased production, and everything else. He is going to spend a lot of money. In other words, the war is just beginning.

(Mr. Fred Smith enters the conference)

MR. PEABODY: It is a good War Bond argument, regardless of its effect on public morale.

H.M.JR: This is a speech of statistics given by General Marshall. That is what I hope to lay before the public in Texarkana. As I say, I have had this half hour with General Marshall, as I always do before I start out.

There is no question that the spending of money is going - I think the figures that he gave me, which I hope to use, show that they actually took delivery of twenty-three billion dollars' worth of goods in the calendar year '43, and they are looking for at least twenty-four billion dollars this year.

- 3 -

They are opening new factories for artillery and heavy ammunition, and so forth. He says - in the room here - he says he is having his battles with Jimmy Byrnes and Nelson. They don't want to give him any more factories. He has to have additional factories. So it is just contrary to what everybody thinks.

I used this thing - these two headlines from the Wall Street Journal - everything as though the war was over. "Well, the war is over; what are we going to do?" If this man doesn't know, nobody knows.

MR. PEABODY: It is just exactly the opposite.

H.M.JR: I hope to have some figures. I will have some figures. Just to give it to you - we have the breakdown - it cost so many billion dollars to go from Naples to Rome; how much will it cost to go from the French Coast to Berlin. This stuff I am saving for myself! (Laughter)

MR. GAMBLE: Can't rewrite the ads.

H.M.JR: I feel now I am on the beam. I haven't felt right on this whole thing until today. They are going to tell us the story of how these regiments in Italy have been able to go ahead the last two weeks, and why they couldn't go ahead before, and the technique they used - refitting, rearming, and so forth - and what it cost in dollars, which has never been explained.

MR. PEABODY: That will be wonderful. There is some awfully good war bond copy in that.

H.M.JR: But I feel now what my message should be and how I can be of use. It hasn't been clear in my head, but it is now. And believe me, the war hasn't started yet; it hasn't begun. There are some awfully anxious days ahead, and we have all got to be on our toes.

Now, Mr. Peabody?

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MR. PEABODY: This layout we had over yesterday; we had General Bradley on it.

Title: "Your Invasion." (Reading) "From General Bradley through every rank in our armed forces, American men now face a brutal, desperate, able enemy, for this invasion has only begun. Before our fighters lies ahead a bloody task, one that demands all their courage, backed by all your faith in their ultimate victory. That faith will be tested many times in this invasion and grim struggles, set-backs, possibly even temporary defeats. It will be up to you. Early victories usually only mean more savage opposition from a foe made more bitter, more ruthless as the shadow of his doom grows larger. It is up to you to keep that faith in days and nights of gloom as well as in hours of triumph. There is little you can do to show you realize what they must face, perhaps for many months, but one thing you can do; buy your invasion bonds today. Let the bonds you buy in this greatest of drives be the measure of your belief in their ultimate victory. Back the attack. Buy more than before."

H.M.JR: Is that Bradley speaking?

MR. PEABODY: No, the picture is a war scene, but it has Bradley in one corner of it, with soldiers...

H.M.JR: Did you know that Bradley is Commanding General of American troops in France, now?

MR. PEABODY: We assumed he was.

MR. COBB: It was in the papers this morning.

MR. PEABODY: That is correct, isn't it? His name hadn't appeared on any of the earlier dispatches.

H.M.JR: It came over the ticker sometime today.

MR. PEABODY: That will be very apt, then.

- 5 -

H.M.JR: Very, and you can get his correct title. He is in command of the Americal troops.

MR. COBB: He is the commander of all ground forces in the invasion.

H.M.JR: Couldn't we indicate that he is in charge of the forces which have landed?

MR. COBB: Yes.

H.M.JR: Because General Montgomery is in charge of them all, but that doesn't mean he is in France.

MR. COBB: True.

H.M.JR: He is in charge of the troops which have landed.

MR. COBB: We can simply take his title and his position from the ticker, then we won't need to get permission to use it because it would be public information.

H.M.JR: That is right. It doesn't do any harm to check.

MR. PEABODY: No, we will do that.

H.M.JR: We have to use OWI in here!

MR. STONE: Here we go again. (Laughter)

MR. PEABODY: I was waiting for that one. It was a little late this afternoon, Mr. Secretary.

Here is another one. This we are tentatively thinking of. We have a situation for September magazines, because there you have an area that, again, we don't know much about. We know it will still be on. We don't know anything specific we can tie into. We felt the theme you suggested yesterday might be admirable for that time, so here is another ad for that.

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Title: "Let these guys start." (Reading) "There is a day coming when the enemy will be licked, beaten, whipped to a fair-ye-well, every last vestige of fight knocked out of them. There is a day coming when every mother's son will have the right to stand up and urge," and so forth and so on.

"But let's not start the cheering yet. In fact, let's not start it at all over here. Let's leave it to the fellows who are doing the job - the only fellows who will know when it is done - to start the cheering. Our leaders have told us over and over again that the smashing of the Axis will be a slow job, a dangerous job, a bloody job; and they have told us what our own common sense confirms, that if we at home start to let up before the job is completely done, it will be slower, more dangerous, bloodier. Right now it is up to us to buy War bonds, to buy double, triple the bonds we have ever bought before. Let's do that. Let's keep bearing right down until we get the news of victory from the only place it can come, the battle line. Let's buy more War Bonds and more, and more. If we do that, we will feel even more like cheering when the right time comes.

H.M.JR: Now, may I put my suggestion in there - "Have you bought your invasion bonds today?" - if these men like that.

MR. PEABODY: Yes, we can make a display line out of that.

H.M.JR: I picked that up on the radio last night; I liked it.

MR. GAMBLE: You will find it all the way through.

H.M.JR: Will I? It is missing in this one.

MR. GAMBLE: Read it back in the other one, Stewart.

H.M.JR: But in there you could use it with the rest of them, like that?

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MR. GAMBLE: Oh, very much.

H.M.JR: I was listening last night and somebody used it. I thought that hit the bull's-eye.

MR. GAMBLE: We have it on one poster, now.

MR. PEABODY: We have it on the poster. We are putting it in the drop-in for the box and also we have it for some of the radios.

MRS. AIKMAN: Yes.

MR. PEABODY: Yes, it was in the first piece of copy.

Now, that was one thing. The other thing was the one we referred to yesterday - it isn't quite exact - that is the prayer thing. We had an ad already written called "Bow your Heads," which we all agreed was an excellent ad. I think you saw it, Mr. Secretary. We did one more on that same theme, but I might read it to you.

We have a layout for this, it is titled "As we pray for their safety, let us send out dollars to fight with them in the Fifth War Loan Drive." (Reading)
"Pray for them, America; pray for their safety in this fateful hour. Pray for victory in their bitter, bloody fight for freedom. Pray for their return to us as soon as may be. A long hard road lies ahead. There will be many a desperate heart-breaking day before they will reach the end of that road, and many a white cross will mark its course through the tortured battlefields of Europe. Would that we could do something to help our gallant fighting men in their hour of need, and something to express the gratitude in our hearts for the sacrifices they are making for us. Do something? We can do something. Each and every one of us right now can join the fight by purchasing extra War Bonds during the Fifth War Loan. Let us support this Drive as we have never done before. Let us show our loved ones over there we are with them heart and soul. Let them know that we

- 8 -

are backing them to the limit, to our last dollar. Yes, to our last dollar. No matter what sacrifices we have to make, let us all invest in War Bonds now, more and more War Bonds, until we have poured out the might of America in overwhelming measure. Let no American fighting man feel we have failed him in this crisis. Let his hands never be without the weapons which only your dollars can provide. There is no turning back now. There can be no hesitation. We are on the march. Today, before you go to bed tonight, make your pledge to invest in extra war bonds during this Drive. Invest in double or triple the amount you have ever subscribed before. Invest one hundred dollars, two hundred dollars, three hundred dollars extra. Invest in thousands of dollars' worth, if you can. Everyone, man, woman, and child, must do his or her part. You, yes, you, must do yours. back the attack. Buy more than before."

H.M.JR: My criticism is that it is too long. I don't think anybody will read it.

MR. PEABODY: I think that was probably written for the layout. It can be cut.

H.M.JR: I think there are too many words.

MR. GAMBLE: I don't know that you have ever heard the copy on the ad we like the best. I think maybe, Stewart, you ought to read it.

MR. PEABODY: What one is that?

MR. GAMBLE: "Bow your Heads."

MR. PEABODY: You didn't hear that?

H.M.JR: You don't want to use the President's prayer of last night?

MR. PEABODY: We read it very carefully, and listened to it, Mr. Secretary, and we could not put a War Bond

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message onto that. I think it would be completely out of taste. It is really a deeply religious prayer, and the opportunity just isn't there. It stands by itself.

MR. GAMBLE: They all sat and listened to it together last night.

H.M.JR: All right. I just wanted to make sure they weren't political, that is all.

MR. PEABODY: This is entitled "Bow your Heads." (Reading) "Pray with millions of mothers the country over as their hearts reach out over the seas, each one seeking out her boy to protect him with the shield of her love. Believe that in this world there is definite strength and decency and honor. Believe that in our devotion there is moral force. Believe that our will to victory will aid that victory. Seek and ye shall find. Let us seek added strength and fortitude for our men in our own sacrifice and devotion. Let us focus every thought, every action, and every prayer on the boys fighting for us, and while each one bends to his task with ever growing fervor and energy, let us adopt a common symbol as our faith in victory. Let that symbol be War Bonds. Let us pour our money in a gigantic flood of gold toward our sons and brothers as a spiritual shield for them. This is the invasion. The lives of our boys are at stake. Let them see that the soul of America is with them. Let it not be too late - not next month, next week, or tomorrow, but today."

H.M.JR: Well, I will be perfectly frank. If you were selling me so copy and I was president of the company, I wouldn't buy any of this stuff. But you fellows are supposed to be the tops in your profession and I bow to you. I can get it through pictures; I never read the written word of an ad. I either get it the first flash, or I don't. But I am willing to take the word of the men who are making a living out of this.

MR. GAMBLE: This is a powerful piece of copy, this last.

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H.M.JR: But if I had to put my own money in it, I wouldn't buy it. I would most likely be wrong.

MR. PEABODY: Mr. Secretary, I think this business of long copy is something like people getting on a bus. The bus is full when it starts and then down at 15th Street, five people get off, and down at 13th Street two more get off, by the time you get to the end of the line there are only two or three. Therefore, we write copy which may be long for some people, but you always hold some of them right through to the end, and therefore the longer you can keep at them, and the harder you can pound them, the more chance you have of getting action out of them. You drop off at the next corner when you read that - you don't even get on the bus!
(Laughter)

H.M.JK: If there is an ad on the bus, I will read it. But I wouldn't get on!

But as I say, when we have invited the best of the profession to come down here, I am not going to argue with you. I am just telling you why I don't spark more to these things - because I wouldn't buy them. But I will go along. There is nothing offensive that I can object to. But I want to explain why I don't stand up..... and give three cheers.

MR. PEABODY: All right, sir. Here are a few things. I will read one or two. These are suggestions we will make to the newspapers to drop into the box in the ads they already have. The first one (reading): "What comes after prayer? All of us have prayed with deep heart-felt sincerity for our men's success, but after prayer comes action. Buying war bonds is one thing you can do and do right now that will really and actually help. Buy that invasion bond today."

Another one: "Can we take it? The men running this war have told us again and again that victory is likely to come slowly at bitter cost, and attended by heartbreaks all the way. We must take bad news with good. We must

- 11 -

never let up. We must keep doing our job and buying more and more bonds until the day the enemy lays down his gun. Buy that invasion bond today."

Another suggestion I don't need to read - I think we mentioned it yesterday - is the number of boys out of a given town, locally, that are in the service - the number who have made the supreme sacrifice.

There is another one which provides for plugging any local special event such as the New York Army Show, or the Washington Army Show. There will be a fine place in that ad for them to advertise that this is coming and to be sure to go.

Another one relates to the local quota, which we have always found is effective. Put that in there (indicating) - and how close we are to it. Those are going out, Jack?

MR. DELEHANTY: Today.

MR. PEABODY: To fit into the other ads.

H.M.JR: I like those.

MR. PEABODY: The other point is "Buy the invasion bond today." We have covered that pretty well on the copy.

Jack says we are going to have it on the poster as the main display line, and we are going to send out five new ads to the newspapers, Mr. Secretary, and in those we can get that in display.

MR. GAMBLE: As a punch-line, like a slogan, and not in the body of the copy.

MR. PEABODY: How would you feel about an ad in which we dropped out "Back the Attack," and put that in instead?

H.M.JR: What is that?

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MR. PEABODY: "Buy your Invasion Bond Today."

H.M.JR: All right.

MR. PEABODY: That will give it much more attention and much more display.

H.M.JR: That is all right.

MR. PEABODY: I have three radio announcements which I can't read - I can't read a radio announcement. Ruth, you read them.

MRS. AIKMAN: That is unfair, but--

H.M.JR: Have you written these?

MRS. AIKMAN: Yes. It is not quite fair to make me read them.

MR. PEABODY: She has done twenty since ten o'clock last night.

MRS. AIKMAN: These are one-minute spot announcements: "Friends, right now, on some far-off bloody beach-head ... an American boy is offering his life ... for YOU. For that's what invasion means! Invasion is not the end of this war ... it's only the beginning of the end. Our enemies will fight to the last ditch ... for defeat is a bitter thing ... and they'll make our victory come high! Our leaders tell us that the grimmest, toughest battles in history are still ahead, for our boys. Here at home we're not asked to give our lives ... nor a leg, nor an arm, nor an eye! But we are asked to lend our money ... and no living American can refuse his country now. No matter what you bought before, your government asks you to double the amount this time. Sure, it'll be tough! War is tough! But remember - when we go to bed at night we know we'll get up next morning! So make the 5th War Loan Drive the smashing success it's got to be! Show those men who are fighting for us that we're behind them with our last dollar! BACK THE ATTACK - buy MORE than

- 13 -

before! And buy those Invasion Bonds - TOMORROW! The message you just heard was from our United States Treasury and was brought to you by ~~(sponsor)~~"

H.M.JR: That is one announcement?

MRS. AIKMAN: That is one minute. These are all one minute.

H.M.JR: Can they do that in a minute?

MRS. AIKMAN: Yes, it really is. I timed them all with a stop watch.

(Reading) "The flags were put out! The bands played! Excited people cheered the world-shaking news ... when D-Day came. But friends ... invasion is not the end of this war! It's only the beginning of the end! Our military leaders tell us that the toughest, bloodiest battles in the history of the whole world ... are still ahead. Lives will be lost! Casualties will be heavy! There are grim days ahead for all of us, before final victory is here. And that does mean - all of us! For we here at home can't let our fighting men do it alone! Our fighting dollars have to get into the struggle ... and more dollars than we dreamed of ... for though invasion means ultimate triumph ... invasion comes high. Every hour of the war costs thousands and thousands of dollars ... and it's up to us ... safe here at home ... to back up those boys on the bloody beachheads of the world! The largest sum of money ever raised must be raised during the 5th War Loan Drive! Your country asks you to buy double the bonds you bought last time! So make the sacrifice ... and BACK THE ATTACK! Buy MORE than before! ... Buy YOUR Invasion Bonds ... TOMORROW."

H.M.JR: Fifty-five seconds!

MRS. AIKMAN: I was hurrying a little that time.

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MR. PEABODY: You ought to give her the hand signals, Mr. Secretary.

H.M.JR: I am a very suspicious guy. I am from Missouri.

All fight.

MRS. AIKMAN: (Reading) "Friends, that hour when word flashed around the world, invasion, that hour was the most important in the history of mankind. Yes, the crucial time is here at last and the fate of nations is in the making, and every one of us has somebody near and dear to us who is out there making it. You are anxious to do your part ... you are more than anxious ... you are determined. You want to feel that you, too, are doing everything you can to back up those men, and the one thing you can do, right now, is to get behind the 5th War Loan Drive with every nickel you can dig up. Buy War Bonds and buy more bonds. Remember, this isn't over yet. The bloodiest battles in history are still ahead, and every day and night of this war is costing millions of dollars. So tighten your belt and scrape your pocketbook, and send your fighting dollars to back up your fighting men. If you have to make a sacrifice to buy more bonds, just stop and think of what those boys have sacrificed. On bloody beachheads, the sea, and in the air, they are fighting grimly on to win this war for us. So BACK THE ATTACK ... buy MORE than before in the 5th War Loan!"

H.M.JR: May I make a suggestion for all of you, if you don't mind? You get the impression that this thing is the only thing. After all, we do have a Pacific. If it can be introduced - the fate of Europe hangs on this - just introduce that - not "...the fate of the whole world."

MR. PEABODY: In other words, narrow it down to what we have got before us now.

H.M.JR: If you don't mind - instead of saying, "...the fate of the world," just say "the fate of Europe," because we have a Pacific show which will maybe become focal the way this is.

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Do you think that is all right? It is the truth, the fate of Europe hangs on it rather than the fate of the world.

MR. PEABODY: We still have another.

H.M.JR: That won't in any way spoil your thing?

MRS. AIKMAN: No, indeed.

H.M.JR: Another one?

MRS. AIKMAN: No, we brought just three.

H.M.JR: Very good. Thank you.

MRS. AIKMAN: Thank you.

H.M.JR: One other suggestion - this is awfully small, but there is only one thing - "scrape your pocket-book," I don't know just how you do that.

MRS. AIKMAN: You kind of scabble around.

MR. GAMBLE: The inference meant there is really to turn it inside out this time. I think it is good.

H.M.JR: It is only a little thing. But on the over-all, they are excellent.

MRS. AIKMAN: Thank you very much.

MR. PEABODY: That is the collection, Mr. Secretary; that gives us all the material we talked about yesterday.

H.M.JR: I think it is wonderful. I think that is fine. The only thing - as I say, I played my hunch last night and after talking with General Marshall I feel we are all on the beam. We just have to be prepared for weeks of very, very trying news. There will be some days that it will look very black.

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MR. GAMBLE: I think we are well ready for it in this campaign now.

MR. PEABODY: Yes, it is good that we got that reflection yesterday, because it has been built into all of this.

H.M.JR: I haven't talked this through, myself, but I will throw it out to you people. I don't know how many weeks we took a terrific licking day after day at Anzio - we took it on the chin, day after day. Hundreds of people died. Now, I can't believe it true, it looks as if we have made a forty-mile gain in one day. It hasn't been confirmed yet. You might draw a parallel - "Well, after all, we did take it in Anzio for so many weeks, but we got the combination and now look where we are. So don't be too down-hearted if we get bogged down somewhere in France, and maybe bogged down for a number of weeks." I am just throwing it out to you. I don't know whether it is good or not.

MR. PEABODY: I think the other way for our purpose; I had rather have them down-hearted. I don't mean I want them to be that way, but we have a better chance of selling bonds when they are in that mood than we have if they get over-optimistic.

H.M.JR: I was thinking - in other words, if we got too pessimistic - anyway, what you gave me today is what I wanted. I think it is fine, and you have done it on such short notice.

MR. PEABODY: That is fine, sir. We appreciate your comments.

MR. GAMBLE: We have even gone so far as to help a couple of them get out of town! I think we have done our part.

H.M.JR: That was the carrot before their nose.
(Laughter)

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MR. PEABODY: We have to go back and do the other part of the job now. The stuff has to be translated into pictures and titles.

H.M.JR: Well, are you going to be around awhile?

MR. PEABODY: I am going back tonight.

H.M.JR: Well, I am very much obliged.

June 7, 1944
4:40 p.m.

HMJr: Hello.

Ronald
Ransom: Hello, Henry.

HMJr: Hello, Ronald.

R: I want, at first, to congratulate you people of the Treasury on what I regard as extraordinarily satisfactory progress on this stabilization thing.

HMJr: Good.

R: I think that is a very, extraordinarily successful job you've done.

HMJr: Good.

R: And we have tried to be as helpful as we know how.

HMJr: That's right.

R: Now, in the meantime, Harry White has been hunting around for a few people on the staff of the Federal Reserve Bank....

HMJr: Yeah.

R:who might be on the technical staff.

HMJr: Yeah.

R: And we are more than willing, as far as we are concerned to have you people get all the help from that quarter that you can.

HMJr: Right.

R: Our dilemma is that among the group are people like Malcolm Bryan of Atlanta, who is Acting First Vice President of that bank, charged with a lot of duties....

HMJr: Yeah.

R:and if people in your Department would take the trouble to clear them with us first....

- 2 -

HMJr: Yeah.

R:we might handle it much more satisfactorily.

HMJr: Well, I will tell White. Now, who should he clear it with over there?

R: Szymczak.

HMJr: Szymczak?

R: Yes.

HMJr: I'll tell that to White.

R: And if they'll pick that up and do it that way, I think we can handle it more expeditiously and more satisfactorily.

HMJr: You want it all cleared through Szymczak?

R: Through Szymczak if you will.

HMJr: Be delighted to.

R: Thank you, Henry.

HMJr: Thank you.

R: All right.

June 7, 1944
4:43 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Senator
Barkley: Hello.

HMJr: Yes.

B: Henry.

HMJr: Talking.

B: I talked to Danaher again and he's decided he can't go on that thing.

HMJr: Oh.

B: He says that in addition to his duties on the Resolutions Committee of the Republican Convention, that his boys are both in the Army and that he is trying to get his daughters-in-law and his wife together to spend a little time with them this summer and he just don't feel like undertaking it.

HMJr: Well, now....

B: So, that leaves us in bad shape....

HMJr: Yeah.

B:as far as the Finance Committee -- I mean the Banking Committee is concerned.

HMJr: Yeah.

B: Bob Wagner told me today that Tobey had been to him personally and practically solicited that he be appointed on this -- this Committee.

HMJr: Yeah.

B: But, hell, I just think that's

HMJr: Well, we can't do that.

- 2 -

B:that's just a joke.

HMJr: No.

B: When you get beyond -- the next man below Danaher is Taft.

HMJr: Yeah.

B: And while he's got plenty of ability, he usually uses it in the wrong way.

HMJr: Yeah.

B: And you get down below him, you haven't got anything.

HMJr: Yeah.

B: Now, the only -- there might be a possibility of -- who'd the House recommend?

HMJr: Let me see -- it was -- just a minute -- I think it was Spence and Wolcott.

B: Yeah.

HMJr: I think that's what they said.

B: That's the Vice Chairman and ranking Republican.

HMJr: I'm almost sure. I just sent for Harry White.

B: Yeah.

HMJr: He may be here any minute. I think it's Spence and Wolcott.

B: Now, there might be a possibility -- I don't know whether he -- how it would work -- I don't want to do anything that will -- that will offend the Banking Committee....

HMJr: Yeah.

B:because we might have to -- we've got to keep them in a good humor.

HMJr: Yeah.

B: But if we went away from that Committee, we might pick a man from Foreign Relations, which of course, is interested.

HMJr: Yeah.

B: And Vandenberg is both on Foreign Relations and Finance.

HMJr: Yeah.

B: From that standpoint, if we had to go off of the Banking Committee, that might be a solution. Of course, I don't know whether he'd serve or not. I haven't inquired.

HMJr: Well, he's interested.

B: I haven't had -- felt at liberty to talk to him about it because I was waiting on Danaher and then I got to figuring -- I don't want to talk to him unless -- unless we're going to appoint him....

HMJr: Yeah.

B:if he wants it.

HMJr: Well, he's been -- he told me he is for this.

B: Yeah. Well, I'll have to -- I'll have to report to you tomorrow. I can't give you the answer now.

HMJr: (Aside: In the House.) Well, let me just -- White came in. He says Spence and Wolcott is correct.

B: Yeah.

HMJr: Now, here's the thing -- here's my dilemma and I wonder if -- I'm leaving town tomorrow night to go out campaigning on War Bonds.

B: Yeah.

HMJr: And we wanted to call a meeting at three o'clock tomorrow, preliminary, of these delegates.

B: Yes.

HMJr: You don't suppose that we can -- could we start without the Republican Senator?

B: Well

HMJr: That wouldn't be so good, would it?

B: That wouldn't be so good unless you could have it an executive and confidential session.

HMJr: Yeah. Do you think you'd know by noon tomorrow?

B: I might.

HMJr: What?

B: I might. I'll do my best.

HMJr: Will you do your best?

B: I'll do my best. But I've got a hard thing to work out....

HMJr: Yeah.

B:uh -- the way to get away from the Banking Committee....

HMJr: Yeah.

B:without giving offense to them.

... HMJr:Yeah.

B: Because the House -- the House has selected both of their members from the Banking Committee.

HMJr: Yeah.

B: Well, I'll study it over and see what I can give you tomorrow on it.

HMJr: If you could do it by -- before lunch tomorrow, you'd be doing me a real favor.

B: Well, I'll see what I can do.

HMJr: I thank you.

B: And let you know.

HMJr: Thank you.

B: All right.

June 7, 1944

Dear Commander Stassen:

Thank you for your letter of May 22, relative to the articles made by service men in the South Pacific area which have been sent to the Treasury for display purposes. We have also received Miss Lucy H. Crockett's letter enclosing a description of the individual items and an indication as to their disposition when the exhibition has been completed.

We appreciate the opportunity to use these items, particularly during the Fifth War Loan Campaign. It is the War Finance Division's plan to exhibit this display in many large cities during the impending drive and I am sure that we will find it to be a highly valuable contribution to this effort.

Please be assured that as soon as these exhibits have ended, we will have all of these items returned to the individual consignees indicated. Thank you for your interest and help in connection with this project.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lt. Commander H. E. Stassen,
Flag Secretary,
South Pacific Force,
Fleet Post Office,
San Francisco, California.

TRG:ecb

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 6, 1944

TO Miss Chauncey
FROM Mr. Gamble



Receipt is acknowledged of three boxes addressed to Secretary of the Treasury from Lt. Commander H. E. Stassen, South Pacific, ETIC--33, shipped on Government Bill of Lading "recreational gear" delivered on May 25th. This material was received from the Storekeeper of the Treasury and is being handled by the War Finance Division.

Memo for Mrs. Klotz:

The Storekeeper of the Treasury has received three boxes, weighing 150 lbs., addressed to the Secretary of the Treasury from "Comdr. South Pacific ETIC-33", shipped on Government Bill of lading, contents marked "Recreational Gear". One box was opened and found to contain "souvenirs such as knives, etc."

This may have been sent by Admiral Halsey in view of his recent letter sending photos of an ingenuity contest sponsored by the A.R.C. for possible use in War Bond drives.

Mr. Gamble recommends that the boxes be sent to him for examination and if they are the articles which the soldiers made from captured material, etc., the War Finance will arrange it for exhibition purposes.

nmc

*5/24/44
He K
Checked
with Secy
who paid to
send them to
Mr. Gamble*

COMSOPAC FILE

SOUTH PACIFIC FORCE
OF THE UNITED STATES PACIFIC FLEET
HEADQUARTERS OF THE COMMANDER

22 May 1944

The Secretary of the Treasury
Washington, D.C.

Dear Mr. Secretary:

With further reference to Admiral Halsey's letter of March 13 and your reply of March 27, I am pleased to advise you that the exhibit of unusual items fabricated by servicemen in the South Pacific, and sponsored by the American Red Cross, has been forwarded to your department. They are contained in three boxes, total weight of the three being 150 lbs., and are covered by Bill of Lading #17588-44.

Enclosed with the shipment, and in a letter from Miss Crockett of the Red Cross, is descriptive information of the enemy material and other sources of metals used in the fabrication. It is respectfully requested that after the department has completed its use of the exhibit for War Bond drives, the respective items be packed and forwarded to the individual consignees indicated. This can be done either by your department or by a conveniently located Naval Supply Officer.

Respectfully,


H. E. STASSEN,
Flag Secretary.



FORM 2

AMERICAN RED CROSS

Service Club
APO 502
c/o Postmaster
San Francisco, California

The Secretary of the Treasury
Washington, D.C.

Dear Mr. Secretary:

We are shipping herewith ³ crates containing the Red Cross South Pacific "INGENUITY CONTEST" entries, which Admiral Halsey suggested sending to you for whatever use you care to put it towards promoting the sales of War Bonds.

These entries were all made by servicemen on their own spare time, of materials picked up by them, with tools often made by themselves. The display created great interest among the enlisted men in this area. It provided splendid examples of what good use men with a little ingenuity can put their spare moments. The therapeutic value of such work must be clear to anyone who has seen men separated from their homes and families.

It is suggested that if these items are sent on tour as a display, the citizens of each town be invited to cast a popular ballot vote for their favorite object - this as a means to attract to the show desired publicity.

Enclosed are records of each item, with the address to which the object is eventually to shipped, also a suggested legend to go on each display card. For the sake of the men who were willing to trust their handiwork to us, it is requested that every possible precaution be taken in handling the objects, and that in time they be duly shipped to the people for whom the owners intended them.

We are grateful for Admiral Halsey's interest, and we sincerely hope that some use may be made of this show towards promoting the sale of War Bonds.

Yours very sincerely,

LUCY H. CROCKETT
American Red Cross



AMERICAN RED CROSS

COPY

SOUTH PACIFIC FORCE
Of the United States Pacific Fleet
Headquarters of the Commander

13 March 1944

Dear Mr. Secretary:

The enclosed copy of a letter from the American Red Cross Service Club, with accompanying photographs and descriptions presents a remarkable exhibit which I have viewed personally.

It occurred to me that it might be a very interesting and appealing collection to display in conjunction with the War Bond drives, and I have requested Miss Colletta Ryan, the Director of the American Red Cross Service Clubs in the South Pacific Area, who has returned to the mainland for a speaking tour, to present to your department the availability of this exhibit.

Sincerely yours,

/s/ W. F. HALSEY

The Secretary of the Treasury
Washington, D.C.

"To furnish volunteer aid to the sick and wounded of armies . . ." and "To act in matters of voluntary relief and in accord with the military and naval authorities as a medium of communication between the people of the United States of America and their Army and Navy . . ." The Charter of the American National Red Cross.
By Act of Congress January 3, 1905.



AMERICAN RED CROSS

COPY

THE SECRETARY OF THE TREASURY
WASHINGTON

27 March 1944

My dear Admiral Halsey:

I have received your letter of March 13 with its enclosures telling about the Ingenuity Contest sponsored by the Red Cross Service Club among the servicemen in the South Pacific area. We shall be very glad to discuss with Miss Colletta Ryan methods of making use of the exhibit in War Bond Sales.

Knowing what responsibilities you have on your shoulders and the incessant demands on your time and energy that must result, I appreciate more than I can say your kindness in writing to me about this project. We shall try to make it so useful that your men who have participated in it will be rewarded when the word gets back to them.

We continue here at home to watch the achievements of the South Pacific Force with the most intense interest and with the highest admiration for the great qualities of leadership its Commander has displayed and is displaying.

Sincerely,

/s/ HENRY MORGANTHAUGH, JR.
Secretary of the Treasury

Admiral William F. Halsey, USN
Commander, South Pacific Force,
Fleet Post office
San Francisco, California.

"To furnish volunteer aid to the sick and wounded of armies . . ." and "To act in matters of voluntary relief and in accord with the military and naval authorities as a medium of communication between the people of the United States of America and their Army and Navy . . ." The Charter of the American National Red Cross.
By Act of Congress January 5, 1905.



AMERICAN RED CROSS

Not: PICTURE FRAME

MORRELL, Frank P., Aviation Radio Mate 1st Class

plexiglass, with stand

Official address: Seaplane BaseHome address: Albuquerque, New MexicoSend to: Mrs. Frank Morrell
1417 South Walter St.
Albuquerque, New Mexico

CARD LEGEND:

From scraps of plexiglass that came his way, this blue-eyed blond-haired sailor, who used to be a turquoise cutter before the war, has made a picture frame that is both modern and classic in design. He used a saw and file, sandpaper and oil and lots of elbow grease to give it the smooth finish. It was made for his mother.



272

AMERICAN RED CROSS No. 2

WAKEFIELD, John B., SF2/o

PICTURE FRAME

Plexiglass, photo/s..

Official address: 6th Construction Battalion, USMC
c/o Fleet P.O., San Francisco, Calif

Home address: Plano, Iowa

Send to: ^{17.}
Miss Leroy Cochran
Plano, Iowa

CARD LEGEND:

This anchor-shaped frame was obviously made by a sailor. It is cut from cowling glass salvaged on Guadalcanal, and set with catseye's picked up along the beach.



AMERICAN RED CROSS

No:

3

CRESSPY, W.A. AMM/c

PICTURE FRAME
Propellor tip

Official address: A.E.O.B.
Navy 151
c/o F.P.O., S.F.

Home Address: 418 Main Street
Saundersville, Mass.

Send to: Mr. W. A. Cressey
418 Main Street
Saundersville, Mass.

CARE LEGEND:

This picture frame was made out of the tip of a propellor of an S.P.D., backed with stainless steel, on a base made from a piece of an old boiler, nickel plated. The twenty-one year old owner, who before the war was employed by the Springfield Armory, in Springfield, Mass., spent as much of his after-hours time buffing the frame to get the high polish as he did to make it.

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By Act of Congress January 5, 1905.



AMERICAN RED CROSS No. **4**

SCHUMACHER, Lloyd, AMS 1/c

CRIBBAGE BOARD

Official Address: Unknown

Home Address: Unknown

Send to: Barbara Selmer
417 Hudson St
Eau Claire - Wisconsin

CARD LEGENT:

Cribbage is a popular game with enlisted men in the South Pacific. This board is made of plexiglass, metal, and linoleum; the brass pins are cut from salvaged cartridge shells.



AMERICAN RED CROSS No: 5

LENNON, John, Seaman First Class

TWO PENDANTS
Sea beans, catseyes

Official address: U.S.^S Eaton
c/o F.P.O., San Francisco

Home address: Springfield, Ohio

Send to: Mrs. J. W. Lennon
109 Lincoln Ave.
Springfield, Mass.

CARD LEGEND:

Sea beans are the seed of a tree found on Guadalcanal; they are very dark and completely lack polish. This sailor put from thirty to forty hours on each pendant to get the polish they now have. The coin on one was acquired in New Zealand, the catseye on a beach at Guadalcanal. Here is a man who always has something he's working on in his spare time.



AMERICAN RED CROSS

No. 6

6

GUGGER, Pfc Robert

CRUCIFIX & CHAIN
PlexiglassOfficial Address: Hq Co 3 Bn.
148 Infantry
APO 37Home address: Toledo, OhioSend to: Mrs. R.W. Gugger-
3362 Detroit Ave.
Toledo, OhioCARD LEGEND:

Tear-drop pure in design, this beautiful crucifix and chain, made from plexiglass from a wrecked plane, proves that taste and ingenuity can produce work of the finest quality, where living conditions are rugged and tools often non-existent. This item was made on Guadalcanal.



AMERICAN RED CROSS

No. 7

JOHNSON, Cpl. Earl A.

SET OF 4 RINGS
Set with mother-of-pearl

Official address: 3465 Ordnance Co.
APO 502, c/o P.M. S.F.

Home address: Bloomington, Indiana

Send to: Mrs. Frank J. Johnson
406 East 17 Street
Bloomington, Indiana

CARD LEGEND:

~~This man is always filing away on a ring or two made from pieces of stainless steel from scrap parts of planes. He uses a file, sandstone, sandpaper, and buffer, is not interested in making them, as he is called upon to do.~~

~~Use 3 from plane engines filed down, set with bits of mother of-pearl, make these rings. Hoosier Johnson uses a small three cornered file, a flat file, and a half-round file.~~



AMERICAN RED CROSS

No:

8

MYERS, S/Sgt. Henry F.

SET OF 6 RINGS

Official address:

Home address: Belleville, Kansas

Send to: Miss Marie Copley
5210 Fairway Road
Kansas City, Kans.

CARD LEGEND:

This man always has a ring or two in his pocket on which he is working. He uses a file, sandstone, sandpaper, and buffer - on pieces of stainless steel from scrap parts of planes. Prefers to send them home to selling them.



AMERICAN RED CROSS

No. 9

SCHLONGA, Coxswain Glover R.

PAIR OF BRACELETS

Aluminum & catseye stones

Official address: Co. B 2nd Special USNOB
c/o P.P.O.
San Francisco, Calif.

Home Address: 2731 N. Kedzie Ave.
Chicago, Ill.

Send to: Mrs. Ida Schlonga
2731 N. Kedzie Ave.
Chicago, Ill.

CARD LEGEND:

This sailor put approximately sixteen hours on each of these bracelets, which are made of scrap aluminum set with catseye's. He used a file, knife, and emory paper.



AMERICAN RED CROSS No.:

SHELL NECKLACE

10

BALLARD, H.C., Pharmacist's Mate First Class

Official Address: Unknown

Home Address: Nebraska

Send to: Alfred Cavileer, Jr., MM 2/o
24 Chatham Street
Cambridge, Mass.

CARD LEGEND:

This delicate necklace was made by a sailor who picked up the shells on the beach at Guadalcanal, carefully selected them for size and coloring, then went to work with plaster of paris and dental wire.

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By Act of Congress January 3, 1905.



AMERICAN RED CROSS

No: //

DEETS, Cpl. Kenneth

CARVING SET

Official address: 6936236 A.S.N.
76th Fighter Sq. (E)
APO 717 - c/o P.M.
San Francisco, Calif.

Home address: 3930 - 14th Ave.
Oakland, Calif.

Send to: Mrs. Janet E. Deets
3930 - 14th Ave.
Oakland, Calif.

CARD LEGEND:

This perfectly matched set, which would look well in a George Jensen window, is composed of a strange assortment of materials, all gathered and assembled on Guadalcanal by Corporal Deets and a New Zealand buddy. The knife blade is part of a Jap saber found embedded in the ground; the prongs of the fork are ~~xxxxxxxxxxxx~~ ~~xxxxxxxxxxxx~~ from a Zero propeller; the metal on the handles is aluminum from the tracks of an amphibious tank salvaged from a junk pile; Aeroplane glass, tinted with India ink, and poker chips complete the handles. Deets, who before the war did trick riding in rodeos, used a hacksaw, half a dozen different files, and emery paper. It took him one month - about a hundred hours' work - to get the stuff and put it together.



AMERICAN RED CROSS

No.

12

BARNETT, Robert O., EM 1/c

KHLEK, Scobbard

Official Address: CBMU 537
c/o F.P.O., S.F.

Home Address: Oklahoma City, Okla.

Send to: 317 West Chickasaw
Oklahoma City, Okla.

CARD LEGEND:

A knife such as this is an essential part of a fighting man's equipment in combat. This wicked looking number was made on Guadalcanal. The blade is from a twelve-inch steel band saw. Layers of plastic glass made the handle. The copper strips here, and the aluminum end guard, were salvaged from a ship. It took two months to make.



1283

AMERICAN RED CROSS

No: 13

HIPWELL, Sgt. N.A.

AIR PISTOL

Official Address:

Home address: Auckland, New Zealand

Send to: Mrs. A. C. Hipwell
114 Reihana Street
Orake
Auckland S.E.2
New Zealand

CARD LEGEND:

What do you have in your junk heap? Turn Sgt. Hipwell on it, and there is no telling what might emerge.

The mechanism of this air pistol was made from bits of vehicle spring; the air cylinder from a primus plunger; the spring cylinder from a bike pump; the mechanism housing is of petrol-drum metal; the trigger and guard was once a spoon handle. The butt is hardwood and deerhorn; the barrel was made from part of a steel tube. The pistol is completed by "other bits and pieces, all salvaged from rubbish" - according to Hipwell. The loading ramrod is a six inch nail and the end of a .305 cartridge.

The most amazing thing about this pistol is that it works! Action is cocked by the ramrod, the pellet is inserted at the butt end after removal of a little breech. The bore is approximately two inches. It took the sergeant three weeks to make in his spare time.



284 FORM 22

AMERICAN RED CROSS

No: 14

VERNON, T.R. SF 2/c

PAIR CANDLESTICKS
ONE TOOTHPICK TRAY

Official address: Base Construction Depot Det.
US Navy 131 - ABCD
c/o F.P.O., S.F.

Home address: ~~XXXXXXXXXX~~
Pittsburg, Pa.

Send to: Mrs. Verna Vernon
681 Baldwin Road
Hays, Penna..

CARD LEGEND:

When this sailor worked in the Farmers' Bank in Pittsburgh he probably never thought that one day he would be salvaging discarded shells to make useful ornaments in his home. This set of candlesticks and toothpick container was made from 20, ~~xxxx~~ 37, and 40 millimeter shells.

polish before displaying



AMERICAN RED CROSS

No.:

15

PAIR OF BRASS EMBOSSED VASES

RICHTARICK, Joseph J., Mechanist's Mate First Class

Official address: 3rd Naval Construction Battalion
c/o F.P.O., S.F.

Home address: 2636 Arvia St.
Los Angeles, Calif.

Send to: 1) one marked "Marian":
Miss Marian Spatz
401 South Grand
Los Angeles, Calif.

2) one marked "Evelyn":
Richtarick
2636 Arvia St.
Los Angeles, Calif.

CARD LEGEND:

When Joseph Richtarick wants to make something to send home to a girl, he hunts around for a discarded 37 millimeter shell in some junk pile, fills it with lead, then goes to work hammering out a design, using tools that he made himself out of bunt out valve stems.

Here is a man who spends all his spare time working on one thing or another. Richtarick was born and raised on a farm in Nebraska, where from the first he turned to the mechanical end of the work. Now he spends all his spare time working on something; each of these shell vases took him a week.

polish before displaying

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AMERICAN RED CROSS

No:

286
16

MILTON, Pvt. H.R.

PAIR OF ASHTRAYS

Made of brass shells

Official Address: 151st CO., 358 Port Battalion, APO 502

Home address: Burlington, Iowa

Send to: Mrs. Alice Milton
1315 Barrett St
Burlington, Iowa

CARD LEGEND:

Here are a couple of ashtrays that won't get knocked over; they're pretty solid. The trays are made of three inch .50 caliber navy shells, with decorations of .45 and .30 caliber shells. The center is a .50 caliber shell; also from these shells were cut the cigarette holders. Pvt. Milton used a hacksaw and file and soldering iron.

polish before displaying



AMERICAN RED CROSS

No: 17

TONER, Sapper J., 066748

PAIR MODEL P-38's

Made from brass shells.

Official address: Work Service Construction,
2 NZEFIP, NZ APO 150

Home address: Christ Church, New Zealand

Send Object to: Mrs. B. Toner,
202 Lincoln Road,
Addington, Christ Church, N.Z.

CARD LEGEND:

This pair of model P-38's was a prizewinning entry in the South Pacific Red Cross Ingenuity Contest. Something about their delicate balance and smooth finish, right down to the plexiglass propellers-in-movement, won the hearts of the hundreds of men who viewed the show.

The wings and tail pieces are made from .25 pound shells, the plane bodies from .30 caliber shells. .45 caliber shells provided the copper "noses". The cockpits are from armor-piercing shells, tipped with the lead points of .35's. The base is made from a 37 millimeter shell, the stem from a 305 caliber English shell.

Polish before displaying



AMERICAN RED CROSS

No:

18

McHENRY, William, Gunner's Mate Third Class

LAMP
shells, single row

Official Address: Base Construction Depot Detachment
A.B.D.D., US Navy 131
c/o P.P.O., S.F.

Home Address: West Orange, New Jersey

Send to: Mrs. William McHenry
575 Valley Road
West Orange, New Jersey

CARD LEGEND:

This handsome lamp shows what can be made from useless shells salvaged from an ammunition dump. The stem is from a 40 millimeter shell and projectile; the decorations are 30 caliber shells and projectiles. The base is from a 5 inch shell mounted on mahogany. McHenry used a file, hacksaw, grinder, and screw drive.



AMERICAN RED CROSS

No.:

19

O'HALLORAN, Thomas J., Seaman First Class

LAMP & SHADE

Shells, double 1/2

official address: BCDD - Navy 131
c/o F.P.O., S.F.

home address: Lanham, Md.

Send to: Mrs. Patricia O'Halloran
Lanham, Md.

CARD LEGEND:

It took this Irish sailor about four weeks in his spare time to collect salvaged shells and fashion from them this lamp and shade, a present for his Irish wife. The stem is a 40 millimeter shell, the base a 5 inch shell. The decorations are .50 caliber, .45, and .35, also carbine, shells.



AMERICAN RED CROSS

No.:

20

HALEY, J.E., Carpenter's Mate First Class

LAMP & shade
Different woods &
plexiglas

Official address: 575 32 07
Base Construction Depot Detachment
Naval 131 - c/o A.B.C.D.
c/o F.R.O., San Francisco, Calif.

Home address: Houston, Texas

Send to: Mrs. J.E. Haley
5525 Fairbanks Street
Houston, Texas

CARD LEGEND:

J.E. Haley says he doesn't know the name of the dark wood used to make this handsome lamp, although the other wood used is mahogany. Layers of plastic glass and aluminum add to the design and finish of this outstanding ingenuity Contest entry.

Already shipped home: to be collected, then returned again.



AMERICAN RED CROSS No: **21**

LAMP

JOHNSON, R. G., Aviation Mechanic's Mate First Class

XXX

Official address:

~~ASON~~
~~Navy 131~~ →
~~c/o F.P.O.~~

Aviation Repair Unit
Navy 145
c/o F.P.O., S.F.

Home address:

Lagrange, Oregon

Send to:

M. Martin J. Johnson
1101 O Avenue
Lagrange, Oregon.

CARD LEGEND:

One of the outstanding entries in the South Pacific Ingenuity Contest - this lamp made of a 40 millimeter shell, with 25 caliber Jap shells for pull handles. The stem was filled with lead, then embossed with punches made by the artist. The big shell is partially nickel plated, also the small Jap shells.

Letter Attached



AMERICAN RED CROSS

Service Club
APO 502
c/o Postmaster
San Francisco, Calif.
24 April 1944

R. G. Johnson, ANM1/e
Aviation Repair Unit
Navy 145
c/o F.P.O., San Francisco.

Dear Mr. Johnson:

Although I am writing this to you, I shall mail it to your father, to whom I believe you sent the very fine lamp which was one of the outstanding and prizewinning entries in our Ingenuity Contest.

Admiral Halsey has arranged through the Secretary of the Treasury for the entire show to be sent to the States, possibly for a nationwide tour to help promote the sales of War Bonds. The exhibit would not be complete without your lamp. I am forwarding with the other records one for this lamp, hoping that your father will ship it at once to Washington, marked:

AMERICAN RED CROSS SOUTH PACIFIC INGENUITY CONTEST
(To be used in War Bond campaign)
c/o The Secretary of the Treasury
Washington, D.C.

By permitting us to include your lamp in the display you will be making a contribution that will be greatly appreciated.

With best wishes to you wherever you may be!

Sincerely,

LUCY H. CROCKETT
American Red Cross

"To furnish volunteer aid to the sick and wounded of armies . . ." and "To act in matters of voluntary relief and in accord with the military and naval authorities as a medium of communication between the people of the United States of America and their Army and Navy . . ." The Charter of the American National Red Cross.
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AMERICAN RED CROSS No: 22

SCHLONGA, Coxswain Glover

MODEL LIBERTY SHIP

Official address: Co "B", Second Special
U.S. Navy Construction Battalion
c/o F.P.O., S.F.

Home address: 2731 N. Kedzie Ave.
Chicago, Ill.

Send to: Mrs. Ida Schlonga
2731 N. Kedzie Ave.
Chicago, Ill.

GARY LEGEND:

Wood, paper, wire, celluloid, and paint went into this perfect model of a Liberty ship. It took Coxswain Schlonga about three hundred hours of his spare time to make it. He used a knife, pair of pliers, and a paint brush.



AMERICAN RED CROSS No:

23

CARR, Pvt. George

MODEL JEEP

Official Address: 1943 Quartermaster
Tonkuta Air Base
A.P.O. 502
c/o P.M., S.F.

Home address: Des Moines, IOWA

Send to: Mrs. Odessa Carr
601 Southeast 5th St.
Des Moines, Iowa

CARD LEGEND:

The body of this model jeep is made of tin, the wheels of wood. It is complete down to a hood that latches with real springs, transmission, front and rear differentials, a windshield that goes up, real springs beneath the chassis, and a steering wheel that turns the front wheels.

Carr, who was a truck driver before the war, spent all his spare time in two weeks to work on this, his first, model. He used a soldering iron, pair of plyers, pair of tin snips, file, and paint.

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AMERICAN RED CROSS

No. 24

^{cd}
COOPER, Sgt. Clifford B.

MODEL P-47

Official address: 90th Ordnance
Heavy Maintenance
HM - TR
c/o APO 502, S.F.

Home address: Salt Lake City, Utah

Send to:
Mrs. H.F. Cooper
2621 Lake Street
Salt Lake City, Utah

CARD LEGEND:

Perfectly balanced is this little model P-47, for which the owner has been offered large sums of money. It is made of 2" by 4" pine wood, the ~~prop~~ propellor of nails. It is complete right down to the Jap flags painted beneath the cockpit. Sergeant Cooper used a pocket knife, sandpaper, and paint to make the model, which took about three weeks in his spare time.



AMERICAN RED CROSS

No.

25

MCDONALD, Pvt. F.

GUITAR

Official address: Co "B", 353 Engineers
APO 502, c/o P.M., S.F.

Home address: Campbellsville, Ky.

Send to: Mrs. Helen McDonald
725 W Street, Catherine,
Louisville, Ky.

CARD LEGEND:

Here is a perfectly good guitar made entirely by hand. Ply wood and glue, scrap iron for the frets, a toothbrush handle for the top bridge, a piece of wood for the neck - and Private McDonald has an instrument on which he can twang out the liveliest of hillbilly ~~music~~ music.



FORM 1

AMERICAN RED CROSS No: 26

GORELL, F.R., M2/c 1473/44

CRUCIFIX, wooden

Official address: Corps Replacement Transit Center
1st M.A.C. F.M.F.
c/o F.P.O., San Francisco.

Home address: Norwood, Mass.

Send to: Mrs. Barbara M. Gorell
14 Hawthorne St.
Norwood, Mass.

CARD LEGEND:

Here is an ex-sheet metal worker who has turned to working on wood. One week in his spare time spent whittling away with his Jack knife produced this crucifix for his mother.



AMERICAN RED CROSS

No.:

27

BLATTER, Fred W.

WAR CLUB

Official address: 6th Naval Construction Battalion
c/o F.P.O., San Francisco, Calif.

Home address: Ripley, Ohio

Send to: Mrs. Fred Blatter
115 North 4th St.
Ripley, Ohio

CARD LEGEND:

Mrs. Blatter now has a weapon in this war club, made by her husband in New Caledonia from native Maculi wood inlaid with deer horn.



FORM 1

AMERICAN RED CROSS

No:

48

BLATTER, Fred W.

JEWEL BOX

Official Address: 6th Naval Construction Battalion
c/o F.P.O.
San Francisco, Calif.

Home address: Ripley, Ohio

Send to: Mrs. Fred Blatter
115 North 4th St.
Ripley, Ohio

CARD LEGEND:

This beautifully finished box, lined with felt, is made of mahogany, carved, and inlaid with pieces of deer horn.



AMERICAN RED CROSS No.:

29

BROOKS, John, Steward Second Class, USN

CIGARETTE BOX

Official address: COMSOPAC

Home address: Philadelphia, Pa.

Send to: Miss Helen Gaskins
3815 N. 17th Street
Philadelphia (40) PA.

CARD LEGEND:

Coats of red and black watercolor and varnish give this bamboo cigarette box its mellow appearance. The pattern of cats' eyes and ground glass set in with putty add to the hoary, antique effect.

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AMERICAN RED CROSS

No.:

30

KEENEY, J.F., Carpenter's Mate Second Class

COFFEE TRAY

Official address: ~~ASCD~~
Base Construction Depot Det.
Navy 131 - ABCD
c/o F.P.O.L., S.F.

Home address:
Phoenix, Arizona

Send to:
Mrs. J.F. Keeney
2214 N. 24th Place
Phoenix, Arizona

CARD LEGEND:

Mrs. Keeney will have a handsome tray on which to serve coffee. Her husband used 60-40 metal, two types of mahogany, white cedar, naouli wood; his tools were a plane, chisel, plus sandpaper and glue.



AMERICAN RED CROSS

No.:

31

POLOMSKI, Cpl. John A.

1 CARVED WOODEN FIGURES

Official Address: Headquarters Co.
6th Replacement Depot,
APO 502

Home address: Hurley, New Mexico

Send to: Mrs. Samuel Stearman
Hurley, New Mexico

CARD LEGEND::

Here is a man who keeps an eye on the watch for suitable pieces of native wood, or even driftwood which he picks up along the beach. A sharp penknife, some sandpaper, a half hour here and there in his spare time, and he has something worth sending home.



AMERICAN RED CROSS

No.:

32

SWIATK, T/Sgt. Steve

STATUE OF DANCING GIRL

Official Address: 3564 QM Truck Co.
APO 502

Home Address: 2915 Dawson Ave.
Chicago, Ill.

Send to: Mrs. Anna Geisler
537 Circle Ave.
Forest Park, Ill.

CARD LEGEND:

How many men have seen this figure of a dancing girl and offered to buy it from Sergeant Swiatk? Plenty. She is carved from a bit of oak; her skirt is manila hemp. Shells, brass, and tiny stones form her jewelry. It took him three days in his spare time, using a pocket knife, to produce the figure.



AMERICAN RED CROSS

No:

333

SWIATK, T/Sgt. Steve

Statue of TONKINESE MOTHER & CHILD

Official address: 3564 ~~QM~~ Truck Co.
APO 502

Home Address: 2915 Dawson Ave.
Chicago, Ill.

Send to: Mrs. Allen M. Fontaine
414 Stuart Circle
Richmond (22), Va.

CARD LEGEND:

This figure of a Tonkinese mother and child is carved from a piece of native wood. Real rice grains fill the basket on the woman's head. Sergeant Swiatk uses no other tools than his pocket knife.



AMERICAN RED CROSS

No.:

34

LaCOGNATA, John, Tech Sgt.

"WEARY WILLIE KELLY"

Figure, painted, on wood

Official address: 210th Signal Depot Co.
APO 502, c/o ~~the~~ P.M., S.F.

Home address: Chicago, Ill.

Send to: Mrs. Rose L Cognata
2115 N. Menard Ave.
Chicago, Ill.

CARD LEGEND:

Penknife, razor blades, and sandpaper were the tools used by Sgt. LaCognata to make this figure, which is copied from a picture in ESQUIRE. LaCognata, who was an athletic director in Chicago before the war, spends most of his spare time whittlin' on one thing or another.

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AMERICAN RED CROSS No: 35

HUGHES, Pvt. D.

PLAQUE-PAINTING

oil on wood

Official address: Unknown

Home address: Paul's Valley,
Oklahoma

Send to: Beatrice Kergon
2422-20th St. N.W.
Washington, D. C.

CARD LEGEND::

Believe it or not, old bits of dried housepaint pigment found in discarded paint cans, plus even a bit of cement applied to wood resulted in this attractive "painting". Some artists even use tar, when they can't get hold of black paint.



AMERICAN RED CROSS No: 37

MENDENHALL, Pvt. William M.

CARVED WOODEN CANE

Official Address: 153rd Co. 358 Port Bn
APO 502, c/o P.M., San Francisco

Home Address: Los Angeles, Calif.

Send to: Alfonso Mendenhall
151 - 111th St.
Los Angeles, Calif.

CARD LEGEND:

Private Mendenhall says he is always whittling on something or other, but his job doesn't leave him much spare time these days. This carved wooden cane was made in New Caledonia of native wood; it is for his father.



AMERICAN RED CROSS No.:

37

"VARGA BLACK MAGIC"
Desk Ornament

BREEDING, William C., USN

Official Address: Medical Storehouse No. I
Navy 151 - c/o F.P.O., S.F.

Home Address: Bowie, Texas

Send to: S.J. Breeding
Montague Star Route
Bowie, Texas

CARD LEGEND:

This desk ornament, that would please the eye of any serviceman, was made in about three hours of spare time. The picture is backed by 3-ply wood; the base is mahogany. The tools used were a coping saw, a pocket knife, and a wood rasp.

"To furnish volunteer aid to the sick and wounded of armies . . ." and "To act in matters of voluntary relief and in general with the military and naval authorities as a medium of communication between the people of the United States of America and their Army and Navy . . ." The Charter of the American National Red Cross.
By Act of Congress January 5, 1905.



AMERICAN RED CROSS

UN-NUMBERED

LANE, Edward J., Pharmacist's Mate First Class

Shell necklace
SHELL BRACELET
SHELL GISMO

Official address: Section Base,
Navy 131
F.P.O., S.F.

Home address: Los Angeles, Calif.

Send to: Mrs. E. Lane
1621 - 4th Ave.
Los Angeles (6)
California

CARD LEGEND:

Some men spend their off time one way, some another. This sailor likes to poke along the coral reefs looking for shells. He must have been thinking of this present for his wife when he carefully selected the ones for this necklace, bracelet, and "gismo". The shells are secured with cotton, on which plaster of Paris is applied, then dipped in varnish.

"To furnish volunteer aid to the sick and wounded of armies . . ." and "To act in matters of voluntary relief and in accord with the military and naval authorities as a medium of communication between the people of the United States of America and their Army and Navy . . ." The Charter of the American National Red Cross.
By Act of Congress January 5, 1905.

The Blue Network

BLUE NETWORK COMPANY, INC.

30 ROCKEFELLER PLAZA - TELEPHONE CIRCLE 7-5700

NEW YORK 20, N. Y.

619
photostats to
Mr Gamble
Mr Peneth

June 7, 1944

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

Dear Mr. Secretary:

Your warm words of praise and your generous feelings about the work of the War Advertising Council and my part in it are in themselves a heartening reward for my efforts and those of my associates in the Council.

But it was your appreciation and vision of what advertising could do that stimulated and led all of us on to making advertising the useful and powerful force it has been in this war.

Whatever any of us has done is dwarfed and looks pretty small along side of your own achievements which have been accomplished with good grace, modesty and clarity of purpose.

To have worked so closely with you and to have gotten to know you so well has been a deep source of satisfaction. It is a friendship that I want to make last.

Sincerely,

Chester J. LaRoche

Chester J. LaRoche
bam

UNITED STATES SAVINGS BONDS—SERIES E
WAR SAVINGS BONDS

1944
Department Circular No. 653
Second Revision
First Supplement
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, June 7, 1944.

Department Circular No. 653, Second Revision, dated August 31, 1943, fixing the terms and governing the issue of United States Savings Bonds of Series E, currently designated War Savings Bonds, is hereby supplemented, as follows:

1. An additional denomination of \$10 (maturity value) is hereby authorized, the issue price of which will be \$7.50: *Provided*, the bonds of this denomination may be purchased only by persons in the Military and Naval Forces of the United States, under such conditions as may be prescribed and through such agencies as may be provided within their respective establishments by the Secretary of War and the Secretary of the Navy, and *Provided further*, that on original issue the bonds of this denomination shall be registered only in the name of any such person either alone or with any other person added as coowner or designated beneficiary as provided by regulation.

2. The bonds of this denomination may not be obtained on partial redemption of bonds of a higher denomination; and except for restrictions on purchase and issue, the terms of bonds in the denomination of \$10 now authorized and the conditions of their issue and provisions for their redemption shall conform to those of bonds of Series E of other denominations authorized by said Circular No. 653, Second Revision.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

TABLE OF REDEMPTION VALUES

showing how bonds of Series E in the denomination of \$10 (maturity value) increase in redemption value during successive half-year periods following issue:

Issue Price, \$7.50

<i>Period after issue date</i>	<i>Redemption value during period</i>	<i>Period after issue date</i>	<i>Redemption value during period</i>
First ½ year.....	\$7.50	5 to 5½ years.....	\$8.20
½ to 1 year.....	7.50	5½ to 6 years.....	8.30
1 to 1½ years.....	7.55	6 to 6½ years.....	8.40
1½ to 2 years.....	7.60	6½ to 7 years.....	8.60
2 to 2½ years.....	7.65	7 to 7½ years.....	8.80
2½ to 3 years.....	7.70	7½ to 8 years.....	9.00
3 to 3½ years.....	7.80	8 to 8½ years.....	9.20
3½ to 4 years.....	7.90	8½ to 9 years.....	9.40
4 to 4½ years.....	8.00	9 to 9½ years.....	9.60
4½ to 5 years.....	8.10	9½ to 10 years.....	9.80

AT MATURITY (10 years from issue date)..... \$10.00

6/7/44 312

OFFICE OF
THE SECRETARY OF THE TREASURY

Message from Mr. Lester,
Judge Chisom's Office

War Labor Board figures
show for

October '42 - October '43

109,000 Voluntary Applications
for wage increases

25,000 of these were joint
employer-union applications

No unions involved in
the rest

5000 dispute cases

Therefore 5 times as many
joint employer union
applications as dispute cases,

21 times as many voluntary
as dispute cases.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



OFFICE OF THE DIRECTOR

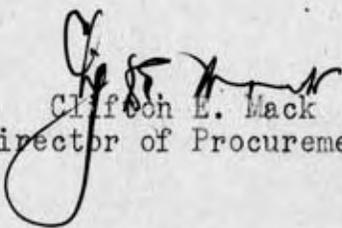
SECRET

June 7, 1944

MEMORANDUM TO THE SECRETARY:

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

A requisition has been received from Mexico for forging dies necessary for the manufacture of howitzer and mortar shells.


Clifford E. Mack
Director of Procurement

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF MAY 31, 1944
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$4765.7 (4749.4)	\$2314.4 (2298.5)	\$1882.3 (1882.3)	\$133.9 (133.9)	\$12.6 (12.6)	\$422.5 (422.1)
Requisitions in Purchase	\$ 139.8 (127.1)	\$ 42.3 (21.4)	\$ 43.5 (53.5)	\$.2 (.2)	- -	\$ 53.8 (52.0)
Requisitions not Cleared by W. P. B.	\$ 97.2 (125.4)	\$ 27.3 (45.6)	\$ 60.7 (46.7)	\$.2 (21.7)	- -	\$ 9.0 (11.4)
Obligations (Purchases)	\$3630.8 (3613.9)	\$1894.9 (1890.2)	\$1441.5 (1433.4)	\$ 62.9 (61.6)	\$11.6 (11.6)	\$219.9 (217.1)
Deliveries to Foreign Governments at U. S. Ports*	\$2071.3 (2051.5)	\$1298.3 (1291.6)	\$ 707.6 (695.6)	\$ 23.1 (23.1)	- -	\$ 42.3 (41.2)

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

Note: Figures in parentheses are those shown on report of May 24, 1944.

*photostat to
for white*



THE ASSISTANT SECRETARY OF WAR
WASHINGTON

June 7, 1944

Dear Mr. Secretary:

I have your note of June 7, and we will undertake to keep you informed of the progress we are making on the matter of avoiding excessive spending by American troops in France.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. P. Kelly".

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

June 7, 1944

Dear Mr. McCloy:

Thank you for your letter of June 4, 1944 enclosing a copy of your letter to Mendes-France concerning the matter of the pay of American troops in France.

I am glad to see that steps are being taken to prevent by voluntary means excessive spending by American troops in France. I feel that it is of the greatest importance that we avoid creating the impression that American troops are draining the French towns and countryside of products which will be sorely needed by the local population. I would like to be kept informed of the results of the measures now in effect as well as those contemplated, and of any information which you may get concerning the reaction of the French people to the spending of American troops.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John J. McCloy,
Assistant Secretary of War
Room 4E-886, Pentagon Bldg.
Washington 25, D.C.



THE ASSISTANT SECRETARY OF WAR
WASHINGTON

4 June 1944

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

Dear Mr. Secretary:

Enclosed is a reply which I have sent to
Mendes-France and which I understand is being
communicated to him by Monnet relative to the
matter of pay of American troops.

Sincerely,

Inc.



ASSISTANT SECRETARY OF WAR
ROOM 4E-886, PENTAGON BUILDING
WASHINGTON 25, D.C.

June 4, 1944

Mr. F. Under-Thomas
French Army Council
1000 E Street, N.W.
Washington 25, D. C.

Dear Mr. Under-Thomas:

I have received your letter, with inclosure, dated 29 May 1944, relative to the pay of Allied troops in France and elsewhere. It is within the province of the War Department to give consideration to this subject only insofar as it relates to pay of U. S. troops. Relative to the latter, I have received a letter, with inclosure, dated 12 May 1944, from Mr. Russell, to which I have replied that the War Department is desirous of avoiding an unfavorable impact on the economy of liberated areas by expenditures of U. S. military personnel. Policies adopted by the War Department to prevent by voluntary means excessive spending by U. S. troops in various theatres of operations have been effective in high degree. Further voluntary measures toward the same end are contemplated and communications on this subject have already been transmitted to General Headquarters. Steps have also been taken to acquaint British authorities so that parallel considerations may be advanced in connection with the pay of British troops.

Insofar as U. S. troops are concerned, the War Department will continue to give careful consideration to this subject, including the suggestions specified in your above mentioned inclosure.

Sincerely,

(SIGNED) JOHN J. McGLOY

JOHN J. McGLOY
Assistant Secretary of War

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

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White
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SUB

7 June 1944

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

Dear Mr. Morgenthau:

We had a short talk over the telephone the other day in regard to the initial rate of exchange to be decreed by the Supreme Commander, AEF, for German mark currency.

From the military standpoint the prime requisite for the initial mark exchange rate is that it will insure, to the maximum extent possible, the maintenance of repose and tranquillity in the wake of battle and throughout the areas under military administration. Paramount interest and responsibility of the War Department being the furtherance of the military effort, as compared with matters of longer range financial policy, it is from the former of these approaches to the subject that we view the exchange rate problem. We have no desire to urge any specific exchange rate, but we feel that in the determination of the rate, weight should be given particularly to existing price and wage levels in the area; also that the rate should be one which will tend to curb rather than strengthen inflationary factors in the situation.

Administrative problems with which the military authorities will be faced will be increased in case of financial and economic collapse in Germany during the period of military responsibility.

There is inclosed herewith a summary of latest OSS factual information regarding price and wage levels in Germany, which has been prepared at my request following our above mentioned conversation.

Sincerely yours,

J. J. Bell

*Wan Bell: Prepare ans. for
1 Incl.*

*my sig.
copies to Harry White
(should be was official)*



RESTRICTEDOFFICE OF STRATEGIC SERVICES
Research and Analysis Branch

R. and A. No. 2216

6 June 1944

NOTES ON THE CURRENT PRICE LEVEL IN GERMANY

Prices of cost-of-living items have been rigidly controlled in Germany during the war, and have risen comparatively little. Prices were stabilized at a point very near the depression level, with increases allowed since that time for only a few commodities. The total cost-of-living (according to Wirtschaft and Statistik, February, 1944) now stands at 92.1, if 1928-30 is used as a base.

The Black Market plays a comparatively small part in Germany. Illegal transactions take place, but mostly in luxury commodities such as tea and coffee. As local shortages develop, cigarettes, butter, white flour, good cuts of meat, high-quality textile goods, etc., are also sold surreptitiously or bartered for other scarce goods. Under the existing system of tight controls, however, the Black Market has been unable to organize and develop to such an extent as in German-dominated countries. The information available shows a wide range of Black Market prices for each commodity.

Index numbers of retail prices for November, 1943, to January, 1944, as quoted in Wirtschaft und Statistik for February, 1944, are shown in Table I.

RESTRICTED

- 2 -

In Tables II and III are presented actual retail prices of food-stuffs, and wholesale prices of some industrial raw materials important in the manufacture of cost-of-living commodities, such as textile fibers, hides and leather, fertilizers, paper, and building materials.

TABLE I

Cost-of-Living Index: Averages for
72 communities (1928-30 = 100)

Commodity	November 1943	December 1943	January 1944	January 1944 compared to January 1943 (%)
Bread and rolls:	78.3	78.3	78.3	-0.4
Bread	75.6	75.6	75.6	-0.4
White rolls	84.9	84.9	84.9	+0.1
Flour Products:	75.0	75.0	75.2	-0.3
Wheat flour	72.4	72.2	72.4	-0.1
Wheat groats	70.8	70.8	70.8	-0.8
Barley groats	79.1	78.9	79.1	-0.6
Oat flakes	90.4	90.5	90.8	+0.4
Noodles	67.4	67.3	67.3	-1.2
Sugar	122.9	122.9	122.9	0.0
Potatoes	88.1	89.5	92.4	+0.5
Vegetables	56.4	57.6	62.8	+1.9
Meat and meat products:	77.3	77.2	77.3	+0.7
Beef	71.7	71.7	71.6	0.0
Pork	69.0	69.0	69.0	+0.1
Veal	80.4	80.6	80.5	0.0
Lamb	76.6	76.6	76.6	0.0
Milk & Milk products:	87.2	87.1	87.2	0.0
Whole milk	84.7	84.7	84.7	-0.4
Butter	87.7	87.7	87.7	+0.5
Margarine	115.4	115.4	115.4	0.0
Eggs	82.9	84.3	88.2	+2.7
Beverages, spices:	103.7	104.1	104.2	+0.5
Beer	108.9	108.9	109.1	-0.1
Food	87.8	88.2	89.0	+2.7
Housing	95.4	95.4	95.4	0.0

- 3 -

Coal	83.6	85.2	85.2	+0.7
Gas & electricity	90.9	90.9	90.9	0.0
Heat & light	87.5	88.2	88.2	+0.2
Textile goods:	111.6	111.7	112.7	+3.0
Outer clothes	117.3	117.5	118.0	+2.2
Underclothes	101.5	101.4	101.8	+5.1
Shoes and soling	95.2	95.4	95.7	+1.9
Clothing	106.7	106.9	107.3	+2.8
Cleaning, personal hygiene	81.2	81.2	81.2	+0.2
Education and entertainment:	90.4	90.4	90.3	-0.3
Daily papers	93.3	93.3	92.6	-0.8
Cinema tickets	84.3	84.3	84.3	0.0
Furniture	93.5	93.7	93.7	+1.6
Transportation	88.6	88.6	89.0	+1.1
Miscellaneous	87.8	87.8	87.8	+0.5
<u>Total</u>	<u>91.4</u>	<u>91.6</u>	<u>92.1</u>	<u>+1.9</u>

- 4 -

TABLE II

RETAIL FOOD PRICES (AVERAGE 40 COMMUNITIES) AS OF 15 JANUARY 1944
(In Rpf. per kg.)

<u>Commodities</u>	<u>Price</u>
Bread ^a	32
White rolls	72
Wheat flour	43
Barley groats	48
Oat flakes	59
Rice	66
Peas (yellow)	88
Beans (white)	71
Sugar	76
Potatoes (5 kg.)	55
Carrots	23
Beef (with bone)	RM 1.66
Pork	RM 1.64
Veal (with bone)	RM 2.02
Lamb (with bone)	RM 1.90
Bacon	RM 2.13
Lard	RM 2.10
Whole Milk (li.)	25
Skim milk (li.)	14
Eggs (each)	14 fresh; 11 storage
Lager beer (li.)	79
Anthracite coal (50 kg.)	RM 1.93
Brown coal briquettes ^b	16
Butter	RM 3.60 (1943)

a. Most frequently purchased type.

b. Anthracite briquettes. in two cities.

- 5 -

TABLE III

Wholesale prices for some industrial raw materials,
for January 1944 (in R.M.)

	<u>Price</u>	<u>Quantity</u>
Anthracite coal:		
Essen	14.50	1 ton
Hamburg	20.80	1 ton
Anthracite briquettes	18.00	"
Brown coal briquettes	14.40	"
Wool	6.70	1 kg.
Flax	202.00	100 kg.
Linen yarn, #18	4.82	1 kg.
Rayon	4.25	1 kg.
Cellulose	1.45	1 kg.
Ox and cowhides	0.30	$\frac{1}{2}$ kg.
Horsehides	10.15	1 hide
Calfskins	0.41	$\frac{1}{2}$ kg.
Sole leather	4.90	1 kg.
Upper leather (boxcalf)	10.00	100 q.d.m.
Thomas phosphate	19.30	100 kg. P ₂ O ₅
Sulphate of ammonia	47.50	100 kg.N
Superphosphate	30.70	100 kg.N
Potassium salts	5.24	100 kg.
Producer gas	46.00	100 li.
Sulphite cellulose	23.75	100 kg.
Newsprint	24.00	100 kg.
Wrapping paper	35.00	100 kg.
Cardboard	18.20	"
Brick	33.00	1,000 pieces
Roofing tiles	52.25	"
Lime	215.30	10 tons
Portland cement	308-384.00	"
Piping, wrought iron	76.19	100 m.
Piping, cast iron	5.39	Piece
Plywood	63.00	1 cbm.
Unsawn timber	53.50	"
Window glass	0.97	1 qm.
Roofing paper	34.00	100 qm.
Linoleum	3.35	1 qm.

RESTRICTED

OFFICE OF STRATEGIC SERVICES
Research and Analysis Branch

R. and A. No. 2219

HOURLY WAGE RATES IN GERMANY

Average rates by industries and industry groups as of December 1942, with accompanying notes.

6 June 1944

Copy No. 1

RESTRICTED

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HOURLY WAGE RATES IN GERMANY

Table 1 contains a schedule of wage rates for male and female skilled and semi-skilled workers and helpers in 17 principal branches of industry and transport in German A Reich for December 1942. When these schedules of wage rates were originally promulgated under the Act to Regulate Labor of 23 January 1934, they were minimum rates. However, with the achievement of full employment in the early war period employers had a strong incentive to offer higher rates than those contained in the official schedule. In connection with the German policy of stabilizing wage and price levels, the War Economy Act directed officials operating under the Ministry of Labor to fix maximum wage and salary rates, which in fact tended to become the realized rates. It is believed that this is what is contained in the attached table.

It should be noted that the data presented are hourly wage rates. Because of higher overtime rates and additions to pay in the form of allowances for dependents, not included in the table, hourly earnings are somewhat higher. For instance: in December 1942 gross average hourly earnings for all workers in the same group of industries was 90.7 Reichspfennig¹, considerably above the average hourly wage rate indicated in the attached table.

¹ Wirtschaft und Statistik, November 1943, p. 279. RESTRICTED

It is believed that the hourly wage rates have not changed significantly from December 1942 to date. The existence of a powerful system of wage controls and the very minor trend from the beginning of the war through 1942 lend support to this view.

Wages of agricultural labor are not included in the above. Since a large portion of the compensation received by agricultural labor consists of goods and services, it is difficult to compare the wages of this group with the wages of industrial workers. However, in general it may be said that wages of agricultural workers are below those paid unskilled factory workers.

Comparison of these wage rates with those for other countries would be of little use in establishing reasonable exchange rates, since no account is taken of relative labor productivities. Further, use of wage rates as indicative of earnings and, therefore, relative standards of living in various countries is extremely hazardous, since there are important international differences in the length of the work week.

RESTRICTED

Table 1. SCHEDULE OF AVERAGE HOURLY WAGE RATES IN
GERMAN¹ INDUSTRIES, DECEMBER 1942
(In Reichspfennig)

Industry	Male workers			Female workers	
	skilled	semi- skilled	helpers	skilled and semi- skilled	helpers
1. Hard coal ^a	104.3	--	60.5	--	--
2. Brown coal ^a	75.8	71.0	67.4	--	--
3. Metal fabricating ^a	79.4	72.0	62.4	--	46.9
4. Chemical ^a	87.8	72.3	--	--	47.6
5. Construction	84.9	--	68.1	--	--
6. Paper manufactur- ing ^a	76.6	--	58.2	--	39.3
7. Paper processing	92.9	83.8	69.0	52.7	43.0
8. Printing	96.2	--	79.7	--	48.9
9. Wood	79.6	66.7	61.2	--	--
10. Fine chinaware	70.8	--	58.9	43.4	36.1
11. Textile ^a		66.1	55.3	52.8	41.1
12. Clothing	74.1	--	--	48.4	--
13. Shoe ^a		79.2	--	59.9	--
14. Brewing ^a	105.1	--	92.9	--	59.8
15. Confectionary	80.8	--	69.1	--	46.4
16. Railway ^a	85.4	75.7	72.8	--	--
17. Postoffice ^a	80.4	74.2	67.0	--	--
<u>Summary by industry groups:</u>					
I. Production goods industry (1-9)	85.8	--	64.7	--	--
II. Consumption goods industry (10-15)	74.1	--	62.1	--	--
III. Total Industry (1-15)	80.5	70.0	63.5	52.3	44.6
IV. Transportation and communication (16-17)	84.7	75.5	71.9	--	--
Total (1-17)	80.8	70.4	64.1	52.3	44.6

Source: Wirtschaft und Statistik, March 1943, p. 80.

1. All statistics apply to the Altreich only.

^a Wage rates in this industry include social additions to the basic wage rate in the way of family allowances, etc.

RESTRICTED

June 9, 1944

619
photostat of
incoming to
Dr White

My dear Mr. McCloy:

In the absence from the city of Secretary Morgenthau, I am acknowledging receipt of your letter of June 7, with regard to the initial rate of exchange for German mark currency.

Just as soon as Mr. Morgenthau returns to his office, I shall see that your communication is brought to his attention.

Yours sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary

Honorable John J. McCloy,
Assistant Secretary of War,
War Department,
Washington, D. C.

JUN 7 1944

Dear Mr. Clayton:

Thank you for your letter of June 5, relative to the Foreign Disposal Advisory Committee which you have created to advise you in matters relating to the disposal abroad of surplus war property.

You suggest that in view of the interest which the Treasury Department has in the financial aspects of disposal of surpluses abroad, the Treasury Department should have a representative on this committee.

I agree with this suggestion, and have designated Mr. Robert E. McConnell as my representative on this committee. Copy of this letter is being sent to Mr. Lauchlin Currie, Deputy Administrator, Foreign Economic Administration, for his information.

Mr. McConnell will, of course, keep me informed as to the progress of this work, and, in addition, I will be very happy to discuss personally with you any of the problems which concern this Department on which you may wish to obtain my views.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable W. L. Clayton,
Administrator,
Surplus War Property Administration,
Washington, D. C.

REM:ESD

OFFICE OF WAR MOBILIZATION
SURPLUS WAR PROPERTY ADMINISTRATION

OFFICE OF ADMINISTRATOR

June 5, 1944

811 VERMONT AVENUE NW.
WASHINGTON 25, D. C.

My dear Mr. Secretary:

Some time ago, I appointed a committee with Mr. Lauchlin Currie, Deputy Administrator of the FEA, as chairman, to advise me in matters relating to the disposal abroad of surplus war property.

In view of the interest which the Treasury Department has in the financial aspects of disposal of surpluses abroad, it occurs to me that you should have a representative on this committee. Mr. Currie agrees.

If you are also in agreement, I will appreciate it if you will advise Mr. Currie the name of such representative.

Sincerely yours,



W. L. Clayton
Administrator

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

Dr. White says these should be shown
to the Secretary upon his return.

THE UNDER SECRETARY OF STATE
WASHINGTON

June 7, 1944

Dear Henry,

I refer to my letter of yesterday's date relative to the possibility of Dr. Kung coming to Washington. In this connection I have just heard from the President that he would be able to see Dr. Kung about the 22nd of the month. I have informed the Chinese Ambassador accordingly, and we are in touch with the Army as to the possibility of providing accommodations on a C-54 from Karachi to Washington.

With best wishes,

Sincerely yours,



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

Exchange Stabilization Fund

JUN 7 1944

Nicholas M. Butler, President
Columbia University,
New York, New York.

We should like to appoint Dr. Mabel Newcomer as one of the delegates to the United Nations Monetary and Financial Conference which will convene on July 1, 1944. Dr. Newcomer informs me that she is scheduled to teach during the summer session at Columbia University. Under the circumstances, I hope you will consent to release Dr. Newcomer from teaching at Columbia this summer in order to enable her to accept appointment as a delegate to the Conference. I would appreciate an early reply.

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

June 7, 1944

Mr. Collado

Mr. White

Please send the following message to all countries invited to the Conference.

"From Secretary of the Treasury to the Minister of Finance.

"In connection with the United Nations Monetary and Financial Conference to be held in the United States beginning July 1, the American technical experts in consultation with those of the United Kingdom, the U. S. S. R. and China are inviting the technical experts of a number of other countries to cooperate with them in the preparation of a draft agenda which will be submitted to the United Nations Monetary and Financial Conference for its consideration.

"The countries invited are the following:

Australia
Belgium
Brazil
Canada
Chile
Cuba
Czechoslovakia
French National Committee
India
Mexico
Netherlands
~~Philippines~~

Treasury Department
Division of Monetary Research

336

Filed 6/19

Date May 2, 1944.....19

To: Miss Chauncey

From: Mr. White

I think the Secretary will be interested
in reading the parts of Adler's letter which I
have marked in red crayon.

H.D.W.

Letter from Adler, April 13, 1944

There are a number of points I wish to cover in this letter.

1. USAAF expenditures in China.

The estimates of current fapi needs made by the Army Engineers which Acheson made available to me and which I utilized in my cable on the subject have been drastically revised downwards by them. I suppose it is incomprehensible to you that responsible men should first make estimates which get both the Embassy and the Treasury unnecessarily alarmed and then find that they have been way out; in their defense it must be said that costing is a very difficult process in China at present. It appears that expenditures in March totalled CN \$2 1/2 billion-- which brings total expenditures in the first 3 months of 1944 to over CN \$5 and under CN \$6 billion-- that expenditures in April will run at about CN \$2.8 billion, and that expenditures in May and June will not exceed CN \$3 billion per month, i.e., the amount which I suggested in my cable it was desirable not to go beyond, if possible.

There has been no further progress in the financial negotiations. Acheson is rightly stalling for time so that current construction work can continue unimpeded; it looks as if the Chengtu projects will be finished by the end of this month, and as long as the Chinese Government continues with the execution of the work and continues to advance us the money we need there is no point in initiating acrimonious debates. If, of course, Kung presses us for a new proposal, then Acheson will come out with the scheme which has already been approved by Treasury, Army, and State Department.

2. Have not yet received any answer from the Ministry of Finance on the question of remittances to occupied China. ...

3. The rate of deterioration in the economic situation is definitely increasing. Prices have been jumping (as soon as I can get the official indices for the last two months shall get off a cable), interest rates are now 7% per month, and the Government is experiencing a marked shortage of currency. One day last week the Central Bank ran out of currency and did not make any payments for 3 hours, resuming payment with new notes fresh from the printing press of the Central Trust factory in Chungking.

Government banks are restricting their cash outpayments to CN \$30,000 maximum per check and commercial banks are paying out even less. These restrictions naturally incommode both the normal conduct of business and the functioning of the government. According to the head of the note issue department of the Central Bank the fapi reserves of the Government are still about CN \$10 billion, so that it is diffi-

- 2 -

cult to understand how the above situation arose; presumably this reserve is cached away and was not immediately accessible. Another difficult thing to understand is the failure of the Government to release CN \$500 bills, but as previously pointed out it attaches inordinate and disproportionate importance to psychological considerations whose relevance diminishes with the worsening of the economic picture. The one bright factor at present is that the crop prospects are pretty favorable, though it is reported that in outlying areas peasants are refusing to pay the land tax.

4. The black market has been pretty dead of late, and it has not been easy for the US Government agencies now financing themselves by selling US currency to find buyers.

.....

The British would appear to be taking a very unrealistic picture of our financial requirements in China, which I suppose they can well afford to do. The talk of possible unfavorable psychological repercussions which might ensue from a realistic readjustment in the exchange rate in the British Treasury memo sounds very much like Hall-Patch who was never noted for his economic acumen.

Am reliably informed that the Chinese Government sales of gold have been largely fictitious. Therefore it is tempting to make the conjecture that their recent request for another ten tons of gold and for US \$20 million of US currency was based on the desire to build up an internal political slush fund which would come in handy as the economic situation deteriorates and the political power of the Central Government concomitantly weakens. Of course, this is only conjecture, but it is a possibility well worth bearing in mind.

There has been a marked increase in the rate of economic deterioration, and signs of the strain on the Central Government are multiplying. In this situation growing peasant discontent, unrest in the Army, and further attempts at putsches on the lines of the Army College conspiracy, not to mention increasing autonomy on the part of the provincial warlords, are to be expected. My own feeling is that as the situation worsens the Gimo will be forced into appealing to us for help and advice but that he will defer doing so for as long as possible. (One sign of strain on the Government is the difficulties it is experiencing in providing sufficient supplies of food for Govt. officials; another is the fact that it is hard put to finding enough cash to meet bank payments; yet another is the report of disturbances in front of

- 3 -

rice stores in the suburbs of Chungking-- but this has not yet been confirmed). In spite of the fact that the strength of the Central Govt. is visibly declining-- or maybe because of it-- it not only does not mend its ways but intensifies its previous policies. No one I have met believes that it means business in the forthcoming discussions with the Communists. Its war effort is more inert than ever before. It fails to understand that the attitude of the American people and Government towards it is changing, and believes that it can quieten American criticism by the usual stupid and self-contradictory semi-official and official statements (e.g., Chen Li-fu's recent reply to the Harvard professors re thought control). Its bungling of relations with countries other than the US was made clear in my last letter.

Well, this is the usual dismal story, but it is hard not to be a Cassandra when writing from China.

There are one or two other items I should like to take up.

a. Incredible as it must sound our Army here delivers messages from the President through it to the Gimo not to the Gimo personally but to Madame Chiang (In one case when both the Gimo and Madame were out of town such a message was delivered to Madame Kung.). This is extraordinarily stupid as Madame Chiang will, if she feels it expedient, hold up messages. I happen to know that one message was sent on April the 3rd and has not yet been delivered. And in any case she cannot be depended on to deliver them without garbling them for her own purposes. This is an entirely unnecessary complication, as the Army has the means to have the messages translated and delivered in person to the Gimo in Chinese. I am calling this to your attention in view of the importance of the matter. You may wish to raise it with the Secretary.

b. Hsi Te-mou has cabled Kung that the monetary conference and particularly the meeting of the drafting committee is likely to take place fairly soon and that Dr. White particularly asked for the return of T. L. Soong to participate in them, adding that Dr. White particularly emphasized how valuable T. L.'s contributions had been in the past. No reference was made by Hsi to any other person. I don't know how expedient it may be to do anything about it, but it would certainly strengthen China's representation if Dr. Chi were one of its delegates or at least experts.

I suppose you are head over heels in work what with the forthcoming monetary conferences and only wish I were there to do my share. But perhaps it is felt that in view of the critical nature of the situation here it is best to have someone on the spot and on hand though actually I don't think it would matter much if I were away for a couple of months.

This is a figment of Hsi Te-mou's imagination!

- 4 -

It might be of interest to you to hear of a characteristic example of our Army efficiency. As you know, Kung asked us for US \$20 million of US currency, and our Army agreed to bring in US \$5 million and keep the rest in India. Apparently the US \$5 million (I don't know about the other US \$15 million) were put in charge of an Army officer who was supposed to be going all the way to Chungking; actually he got off at Delhi. The parcel containing the US \$5 million was put on an Army plane destined for Chungking without anyone being informed of the contents. The plane stopped off in Kunming overnight and was neither unloaded nor guarded during the night. Next day it arrived in Chungking but it continued to be neither unloaded nor guarded. The day after a coolie arrived at Army headquarters and dumped the parcel there. Mirabile dictu the parcel was intact and when it was opened the full US \$5 million of currency was still there. As it happens Kung has not yet asked for the US \$5 million and we all agree it would be unwise to turn it over to him if he does unless he shows a real inclination to sell them and allows us a voice in sale; the only rider to the above is that it might be worthwhile to turn them over if doing so were part of a deal in which the Chinese went half way towards meeting our reasonable demands.

The last point I wish to take up is as usual personal. In the telegram on my appointment as Treasury Representative reference was made to the fact that my per diem allowance would be fixed later. Presumably you had in mind the possibility that the current financial negotiations would be consummated fairly soon. I should like to call your attention to the fact that this possibility is fairly remote, the odds being that they will drag on for quite some time. In the meantime my supply of fapi is running out, and unless some other arrangement is made I shall have to finance myself by converting at 40 to 1. If that is o.k. with you, all right; but in all fairness to myself I should like to point out that a corresponding adjustment in my per diem allowance should be made, as otherwise my living expenses at 40 to 1 would absorb all my salary plus the normal per diem of US \$7 and possibly even more. It may sound ungracious to raise the subject but I don't want to find myself in the position of having to live beyond my income.

SECRET

AIRGRAM

VIA COURIER

FROM American Embassy
San Salvador, El Salvador
DATED June 7, 1944
REC'D June 21, 8 am

SECRET

Secretary of State
Washington

A-237, June 7.

Embassy's secret airgram A-186 of May 3 and Department's Secret circular airgram of May 11, 7:30 p.m.

Protection of refugees with Latin American documents was again taken up with the Foreign Office (which as the Department realizes has undergone a complete reorganization), which advises that the Minister for Foreign Affairs has sent the following note on May 20 to the Spanish Minister:

(TRANSLATION)

"The Minister for Foreign Affairs of El Salvador begs His Excellency the Envoy Extraordinary and Minister Plenipotentiary of Spain and Representative of the Interests of Germany in this Republic, to consider as modified the request referred to in the note verbale addressed to him by (the Foreign Minister's) predecessor, Dr. Arturo Ramon Avila, that he interest himself, if there are no objections, with a view to safe guarding the lives of all those persons who bear Salvadoran passports or who prove (justifiquen) that they possess Salvadoran citizenship, in order that the German Government, for humanitarian reasons, extend to the said persons all the privileges, rights and immunities granted to interned civilians in conformity with the Convention of Geneva on Prisoners of War. Julio Enrique Avila thanks in advance His Excellency the Duke of Bailen for his courtesy in taking this action, which, if it appears opportune to him, he would appreciate done by cable, and renews to him the assurances of his distinguished consideration. San Salvador May 20, 1944."

THURLTON

711
GC/ngm

CABLE TO AMBASSADOR WINANT, LONDON

The American Jewish Joint Distribution Committee has received the following message from Dr. Emanuel Scherer, Member of the Polish National Council: QUOTE Elected by just created council for rescue Jews in Poland to report budget consider duty consult you before making definitive proposals STOP Accordingly my knowledge large scale financial help delivered quickly could contribute very much to save those still alive STOP This kind help relatively easy STOP Think budget not less than 2 to 4 millions dollars should be proposed until end year for rescue relief all Jews now Poland not only Polish Jews STOP Help Jewish underground political activities apart this cable doesn't deal with STOP For many reasons think not less 60% should give Polish government 40 Jewish resources STOP Please let me know your opinion to what extent your help possible STOP Because matter very urgent awaiting answer quickly possible address Polish National Council Stratten House London W 1 STOP Matter strictly confidential. UNQUOTE

The American Jewish Joint Distribution Committee has asked the advice of the War Refugee Board and the latter would appreciate your views before commenting.

June 7, 1944

10:15 a.m.

LSLessertals 6/6/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: June 7, 1944
NUMBER: 4556

SECRET

Reference is made herewith to Department's cables of March 25, No. 2292, and of April 22, No. 3243, for the War Refugee Board.

We have just received a letter from the Foreign Office saying that the British Government agree to the setting up of a refugee camp in Tripolitania.

The letter from the Foreign Office goes on to suggest that it will be necessary to consider what practical measures will be required for the working out of this scheme on the basis of Joint maintenance, et cetera, to be shared between the American and British Governments.

It has been stated orally by Randall, head of the Refugee Department of the Foreign Office, that he is of the opinion that this camp in Tripolitania will be able to accommodate between 1,000 and 1,500 people. The securing of adequate medical and administrative personnel will be the greatest difficulty and we invite the suggestions of the War Refugee Board with respect to this question. It was further confidentially stated by Randall that the political problems involved in setting up a camp in Cyrenaica are so acute that the Foreign Office had reluctantly come to the conclusion that to establish a camp there is absolutely impossible.

WINANT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: June 7, 1944
NUMBER: 4557

SECRET

The considerations set forth in Department's cable dated June 3, No. 4413, concerning removal of refugees from Southern Italy, have been discussed in detail by the Embassy with the Foreign Office. The head of the refugee department of the Foreign Office, Randall, was very sympathetic and remarked that there would be no fundamental objection on the part of the British Government to facilitating the entrance of Jews not now in Southern Italy to Palestine, suggested in Department's cable. It was pointed out by him, however, that the facilities in Palestine for the reception of such refugees were not unlimited and that it had been the British Government's policy to facilitate the entry primarily of those refugees who were in immediate danger of their lives, such as those in Hungary now. It was stated by him that within the past month nearly a thousand Jewish refugees have entered Palestine via Turkey, having escaped from areas in which their lives were endangered seriously. It was also pointed out by Randall that the UNRRA camps in the Middle East were able to take 25,000 refugees in addition to those who had arrived before May 1, and he was hopeful that these camps might play a part in relieving pressure on Southern Italy. As pointed out in Embassy's cable No. 4556, the British have now agreed to the opening of a camp in Tripolitania which should accommodate about 1500 people.

We left a paraphrase of pertinent sections of Department's cable with Randall and he promised that he would give serious and immediate consideration to the matter.

WINANT

CORRECTION OF
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: June 7, 1944
NUMBER: 4557

SECRET

In line 7 delete the word "not". That sentence should then read "The head of the refugee department of the Foreign Office, Randall, was very sympathetic and remarked that there would be no fundamental objection on the part of the British Government to facilitating the entrance of Jews now in Southern Italy to Palestine, suggested in Department's cable."

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: June 7, 1944
NUMBER: ⁴⁵⁵⁹~~4459~~

SECRET

Reference is made herewith to Embassy's cable of May 12, No. 3857, and previous, for the War Refugee Board.

The Embassy has just been informed by the Foreign Office that word has been received now that the Germans have refused to grant a safe-conduct for the BARDALAND to enable her to evacuate refugees. It is stated by the Foreign Office that it is settled German policy to refuse in every way to facilitate the evacuation of Jews to Palestine and that, therefore, there does not appear to be anything further that can be done in this special case. The British intend to accept notice of sailing of the BARDALAND from Piraeus on June 10, unless the War Refugee Board urgently expresses their disapproval.

WINANT

PARAPHRASE OF TELEGRAM RECEIVED

347

FROM: American Embassy, London
TO: Secretary of State, Washington
DATE: June 7, 1944
NUMBER: 4560

SECRET

Following message is for WRB and the Department.

Reference is made herewith to Department's May 18 telegram No. 3953.

The following comments relative to WRB's suggested approach to neutrals, as set forth in cable under reference, has been sent to the Embassy by the Foreign Office after consultation with MEW.

1. Government of Great Britain is prepared to instruct its representatives in Turkey, Spain and Portugal to join with representatives of the United States in giving assurances that if a more generous policy toward reception and care of refugees is adopted by country concerned, the provision of additional supplies will be arranged to meet refugees' needs. The work "provision" is preferred by British in place of work "shipment" since general shipping situation may render impossible actual despatch in own ships.
2. British feel sure as regards Switzerland and Sweden, that both these countries are fully aware of our appreciation of generous attitude they have shown toward refugees, and draw attention to joint note sent by our two Governments to Swiss last January in which latter were assured that requests for additional supplies to assist refugees would be given favorable consideration. It is also pointed out by the British that in reply to an inquiry which they sent some time ago to Sweden, they were assured by the latter that Sweden was prepared to use her own resources for refugees' assistance. However, the British would be happy to take part in renewed assurances and instructions are being sent to representatives in Bern and Stockholm to concert action with their colleagues from the United States.

WINANT

PROPOSED CABLE TO AMERICAN LEGATION, HELSINKI

Please report if central European refugees referred to first paragraph your 399, May 16, have received visas and departed for Sweden.

June 7, 1944
10:15 a.m.

WStandish:lcm 6/5/44

PROPOSED CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN

Please ascertain if the central European refugees referred to in Legation's 1379, April 21, have actually arrived Sweden from Finland.

THIS IS WRB CABLE TO STOCKHOLM NO. 24

June 7, 1944
10:15 a.m.

MStandish:lcm 6-5-44

CABLE TO STOCKHOLM

From War Refugee Board to Johnson for Olsen

1. Reference paragraph 1 of Department's no. 1000, May 24, 1944 (WRB no. 18). Goodyear Akron advises transaction effected with approval of foreign exchange office and is asking for payment here of countervalue. Please confirm.

2. Reference Stockholm's 1820, May 22, 1944 (your WRB no. 20). We expect to have funds available shortly for the Lithuanian and Latvian projects. In the meantime you are authorized to use as you see fit a part of the funds referred to in paragraph 1 above for these projects.

3. The Treasury has licensed Vaad Hahatzala Emergency Committee to remit, notwithstanding General Ruling No. 11, the equivalent of \$10,000 to Rabbi Wolbe and/or Hans Lehman provided that such funds may be utilized by the payees only as authorized by you, as representative of the War Refugee Board. For your guidance, the Vaad Hahatzala desires that the major portion of these funds be used for the Lithuanian program outlined in cable no. 1820 of May 22 from Stockholm (your WRB no. 20). The necessary funds, goods or services may be acquired from persons in enemy territory against payment by any of the three methods which are prescribed under Section (A) of License No. W-2152 issued to the American Relief for Norway, Inc. and set forth in Department's cable no. 619 of April 8, 1944. Periodic reports on operations engaged in under this license should be filed with Treasury through Legation.

THIS IS WRB CABLE TO STOCKHOLM NO. 25

June 7, 1944
2:30 p.m.

cc: Miss Chauncey (for the Sec'y), Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, McCormack, Stewart, Central Files, Cable Control Files.

FH:lab 6/8/44
db

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

MMS

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

June 7, 1944

1 p.m.

RESTRICTED

AMLEGATION,

STOCKHOLM.

1140

From War Refugee Board for Johnson for Olsen.

War Refugee Board has no assigned jurisdiction at
present in general field mentioned in your 1719 May 15
(WRB no. 13). This is WRB Stockholm cable no. 19.
Assuming that your questions have to do with Europe
generally exclusive of Sweden and other neutral countries
problems will be handled by military authorities, UNRRA
and Intergovernmental Committee on Refugees all of whom
have had discussions and made plans.

.....
STETTINIUS
ACTING
(GHW)

S/CR

WEB:GLW:KG
6/5/44

NOE

LA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: June 7, 1944
NUMBER: 2037

SECRET

Following is our No. 264 War Refugee Board in reply to WRB No. 21 of June 5 (Department's No. 1113) and WRB No. 18 of May 24 (Department's No. 1000).

You are informed that today Goodyear funds were delivered in cash against appropriate receipts. We made inquiry as to whether local concern was in a position to enter into further transactions of this nature and we were advised that it would be possible to make one additional transfer of the same amount. This arrangement worked well and although not fool-proof, it is desirable from security point of view. At this time we do not recommend bank transfers as receipt of cable transfers of such size by individuals involved in operations unavoidably attract notice and suspicion.

We have made initial advances to Estonians, Lithuanians and Latvians with instructions that full accounting of expenditures is required and when possible we expect receipts. We also strongly emphasized the objectives and programs of the War Refugee Board in rescuing victims of enemy persecution. We advised the groups that additional funds would be supplied against established results and upon demonstrated ability of these groups to carry out the War Refugee Board's directives. Weekly reports as to the status of operators and list of people rescued and complete personal data concerning them were requested from the groups.

JOHNSON

MJB-186

PLAIN

Bern

Dated June 7, 1944

Rec'd 6:29 p.m.

Secretary of State,
Washington.

3637, Seventh

Budapest third reports Honved Decree mobilizing
all male Jews born 1896/1926 into military auxiliary
labor battalions.

HARRISON

EDA EMB

CABLE TO BERN

From War Refugee Board to Harrison for McClelland

Reference your no. 3390, May 27, 1944

Arrangements being made to send you \$125,000 at once through channels indicated for urgent relief and rescue work. Balance of \$125,000 will be sent to you through same channels when needed.

THIS IS WRB BERN CABLE NO. 38.

June 7, 1944
2:30 p.m.

FH:lab 6/6/44

MESSAGE TO THE AMERICAN CONSULATE GENERAL, ISTANBUL, TURKEY

Please deliver the following message from Dr. Leon Kubowitzki, World Jewish Congress, 1834 Broadway, New York 23, New York, to Mr. Barlas, Pera Palace, Istanbul, Turkey:

QUOTE We strongly recommend for granting Palestine certificates following outstanding Hungarian rabbis selected by special sub-committee:

List #2

Adler, Pepi, 47 yrs., and 3 children, Csaroda, Cereg megye, Hungary
 Altman, Miksa, 53 yrs., wife and 9 children, Ond, Zemplen megye, Hungary
 Billitser, Jenos, Rabbi, 55 yrs., wife and 3 children, Piliavorosvar, Hungary
 Buksbaum, Jehosua, Rabbi, 62 yrs., and wife, Galanta, Hungary
 Billitser, Efraim, Rabbi, 52 yrs. and 7 children, Bethlen, Hungary
 Basch, Jakob, 17 yrs., c/o Klein, Alfred, Margitta, Hungary
 Basch Szore, 15 yrs., c/o Klein, Alfred, Margitta, Hungary
 Berkowits, Bernathne, 46 yrs. and 6 children, Kis Varda, Hungary
 Buchinger, Endre, 16 yrs., c/o Meno Buchinger, Somolsszollos, Hungary
 Buchinger, Imre, 18 yrs., c/o Meno Buchinger, Somolsszollos, Hungary
 Buchinger, Eva, 16 yrs., c/o Jakob Buchinger, Jenoshaza, Hungary
 Benedek, Bela, 56 yrs. and wife, Bihar, Bihar megye, Hungary
 Friedman, Fani, 52 yrs. and 8 children, Illosva, Bereg megye, Hungary
 Fikaler, Berta, 58 yrs., Huszt, Hungary
 Fendrich, Hugo 55 yrs., wife and 3 children, Nagyaszo, Hungary
 Friedman, Samuel, 60 yrs., wife and 3 children, Tonalga, Hungary
 Goldberger, Sandor, 42 yrs., wife and 4 children, Szerencs, Hungary
 Hager, Chajem Mayer, Rabbi, 47 yrs., and wife, Nagyvarad, Hungary
 Heisler, Jakobne, 52 yrs., Szatmarnemeti, Toltes ucca Hungary
 Heisler, Erno, 28 yrs., Szatmarnemeti, Toltes ucca Hungary
 Heisler, Rosalia, 22 yrs., Szatmarnemeti, Toltes ucca Hungary
 Jakobowits, Zseni, 47 yrs. and 5 children, Kis Varda, Hungary
 Katz, Antal, Rabbi, 60 yrs. and wife, Dunasserdahely, Hungary
 Kohn, Herman, Rabbi, 54 yrs., wife and 2 children, Derecske, Hungary
 Kahan, Frankel Samuel, Rabbi, 45 yrs., wife and 2 children, Budapest, Botvos u. 19, Hungary
 Kahan, Gitel, 50 yrs., and 4 children, Kiralyhaza, Hungary
 Kahan, Feige, 26 yrs., Kiralyhaza, Hungary
 Kahan, Sheindel, 27 yrs., Kiralyhaza, Hungary
 Lipe, Mayer, Rabbi, 40 yrs., and wife, Szatmarnemeti, Hungary
 Lemberger, Issone, Rossnyo, Hungary
 Moskowitz, Hani, 57 yrs., and 4 children, Kis Varda, Hungary
 Mandula, Sandor, 57 yrs., and 2 children, Szerencs, Hungary
 Rubin, Salamon, 55 yrs. and wife, Derecske, Hungary

- 2 -

Rubin, Jossef, M. Rabbi, 45 yrs. and 7 children, Bodrogkeresztur, Hungary
 Szofer, Menachem, Rabbi, 60 yrs. and wife, Marosvasarhely, Hungary
 Schonwald, Miklos, 55 yrs. and wife, Kis Varda, Hungary
 Stern, Salamon, 57 yrs., Nyirbatka, Hungary
 Steif, Jonathan, Rabbi, 63 yrs. and wife, Budapest, Hungary
 Wolvovitz, Ethel, 50 yrs., and 2 children, Izsa, Maramaros, megye, Hungary
 Wolvovitz, Malvin, 30 yrs. Maramaros megye, Hungary
 Wolvovitz, Ignatz, 27 yrs. Maramaros megye, Hungary
 Wolvovitz, Aranka, 24 yrs. Maramaros megye, Hungary
 Weiss, Fani, 63 yrs. and 6 children, Ssatmarnemeti, Zrinyi ut. 12, Hungary
 Wiesnar, Judanne, 49 yrs. and 9 children, Szerencs, Hungary
 Weiss, Henrik, 51 yrs. wife and 3 children, Perbenyik, Zemplen megye, Hungary
 Weissberg, Salamon, 38 yrs. wife and 2 children, Szerencs, Hungary
 Jungreisz, Jakab, Rabbi, 42 yrs. wife and 7 children, Nyirmada, Hungary
 Weinberger, Frida, and 9 children, Nyirmada 41, Hungary
 Weinstock, Leopold, 23 yrs., Dees, Hungary
 Weinstock, Moses-David, 21 yrs., Dees, Hungary
 Weinstock, Terez, 22 yrs., Dees, Hungary
 Weiss, Henrik, 51 yrs., wife and 3 children, Szerencs, Hungary

WORLD JEWISH CONGRESS
 A. LEON KUBOWITZKI UNQUOTE

 June 7, 1944
 4:50 p.m.

BAKintar 6/6/44

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

357
DIVISION OF
COMMUNICATIONS
AND RECORDS

LFG-32

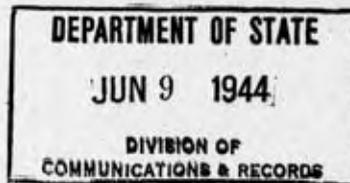
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Chungking via NR

Dated June 7, 1944

Rec'd 10:20 a.m.

Secretary of State,
Washington.



989, June 7, 3 p.m.

Dr. Arthur N. Young, American Financial Adviser
to Chinese Government, expects to leave by air
shortly at request of Minister of Finance to join
Chinese Delegation to Monetary and Financial
Conference. He requests entry courtesies
particularly with reference to his papers. Also
please inform his brother John Parke Young in the
Department.

GAUSS

RB RR

DEPARTMENT OF STATE

OUTGOING TELEGRAM June 7, 1944

DIVISION OF COMMUNICATIONS AND RECORDS

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (RESTRICTED)

6 p.m.

X

U. S. URGENT

AMEMBASSY,

QUITO (ECUADOR)

433

DEPARTMENT OF STATE JUN 8 1944 DIVISION OF COMMUNICATIONS & RECORDS

Reference circular telegram May 26.

You are requested to inform the appropriate authorities of selection of Mount Washington Hotel, Bretton Woods, New Hampshire, as site of Conference. Anticipated duration two to three weeks, beginning July 1. Location, base of Mount Washington, White Mountains, approximately 800 miles and eighteen to twenty hours by regular train from Washington. Special train being arranged for opening; delegations will purchase their own accommodations.

Hotel will provide lodgings on American plan. Ample meeting rooms available, but suitably furnished office space restricted and hotel obliged to charge delegations desiring offices a flat rate for these extra facilities. Please ascertain and telegraph immediately minimum office requirements and preliminary estimate of number of officers and clerks expected to compose delegation. As these figures will form basis of preliminary room allotments by the hotel, please take care to specify sex and to include those persons already in the United States. Double

-2- #483, June 7, 6 p.m., to Quito (Ecuador)

occupancy of bedrooms required, except for heads of delegations.

As soon as more detailed information becomes available please telegraph name, title and delegation function of each individual, including subordinate personnel, and also mode of travel and date and port of entry into United States; in case of air travel this information essential in recommending air priorities. If persons are appointed concerning whom Department has not been furnished recent biographic data, such information should also be included.

Since this is a technical wartime meeting, social entertainment will be held to a minimum. Limited hotel facilities will not permit the accommodation of wives or other family members. Business suits, light-weight woollens suggested, will be adequate for all occasions.

This telegram was sent to other missions last Saturday and may be referred to as the Department's circular of June 3, 6 p.m.

STETTINIUS
ACTING
(WK)

800.515

ARA

BOL

S/CR

IG:DBL:MCL

6/6/44

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

360
DIVISION OF
COMMUNICATIONS
AND RECORDS

RS-37

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED).

Addis Ababa via War

Dated June 7, 1944

Rec'd 10:25 a.m.

Secretary of State,
Washington.



116, June 7, 5 p.m.

My telegram no. 115, June 5, 5 p.m.

Ethiopian delegates office requirements one room.
Ethiopian Minister is first, Blowers second delegate.
Latter hopes to include H. R. Chase, Assistant Vice
President of Bank of New York as adviser to delegation
making total four including Tessema as secretary, all
male. Date and port of entry of Blowers depends on air
transportation allotted. Biographic data regarding
Blowers may be found in Legation's report no. 3,
February 28, 1944.

CALDWELL

REP
WSB

FB-14
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Cairo

Dated June 7, 1944

Rec'd 9:20 a.m.

Secretary of State,
Washington.

GREEK 185, June 7, 10 a.m.

The Greek delegation to the Monetary Conference will comprise (one) Ambassador Varvaressos President; (two) George Mantzavinos Deputy Governor of Bank of Greece; (three) Argyropoulos (see my 182, June 6, 11 a.m. paragraph ten) and (four) Athanase Scharounis Director of the Ministry of Finance as members plus two secretaries.

I am advised that the first two above are now in London while the last and two secretaries whose names will be furnished the Department by the Greek Embassy in Washington are in the United States.

Foreign Office adds that two offices will be required by delegation.

M. O'VEAGH

BB
CSB

DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS AND RECORDS
JUN 7 1944
COMMUNICATIONS SECTION

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

362
DIVISION OF
COMMUNICATIONS
AND RECORDS

LC - 3

This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Rejkjavik via War

Dated June 7, 1944

Rec'd 8:26 a.m.

Secretary of State,
Washington.



US URGENT

245, June 7, 11 a.m.

Iceland Government desires to know rank of
heads of delegations to Monetary Conference (Department's
circular telegram of June 3, 6 p.m.) for its guidance
in selecting its delegation.

HULLEY

RR-BB

MJB-59

Bombay

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (RESTRICTED).

Dated June 7, 1944

Rec'd noon

Secretary of State,
Washington.

DEPARTMENT OF STATE

JUN 9 1944

NO RECORDS

URGENT

318, June 7, 7 p.m.

Reference should be made to the following despatches: 1203, January 26, 1944; 1204, January 26; 1310, March 30; 1372, May 15.

Reference should be made to the following telegrams: 252, May 9; 254, May 10; 311, June 6.

Following Indian delegates to International Monetary Conference will depart from Bombay June..... 13 (repeat June 13) by air arriving Miami about June 19 (repeat June 19): A.D. Shroff; Sir Chintaman; D. Deshmukh; B.K. Madan; Sir R.K. Sharmukham Chetty.

Shroff is one of the authors of the 15 year plan for the economic development of India, see despatch no. 1203, and is desirous of contacting officials of the Department

-2-#318, June 7, 7 p.m., from Bombay

the Department of State while in the United States. The directors of the Tata interests mentioned in the Consulate's despatch 1203, including, Shroff, are valuable contacts of the Consulate and are among the most important and influential businessmen in India.

See despatch No. 989, August 27, 1943 regarding Deshmukh.

Mr. J.R.D. Tata of the Tata interests has indicated to the Consulate that he is desirous of having Shroff contact the Department of State while in Washington.

DONOVAN

BB WSB

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

365
DIVISION OF
COMMUNICATIONS
AND RECORDS

HIS-4

PLAIN

London

Dated June 7, 1944

Rec'd 8:30 a.m. 71344

DEPARTMENT OF STATE
DIVISION OF

COMMUNICATIONS
AND RECORDS

Secretary of State,
Washington.

16, Seventh

NORWEGIAN SERIES

FROM SCHOENFELD

Your circular May 26

Norwegian Government accepts invitation to Monetary and Financial Conference. Representatives chosen are Professor Wilhelm Keilhau, director of Bank of Norway, London, and Ole Golbjornsen, Financial counselor of Norwegian Embassy, Washington. Foreign Office states it takes for granted representatives proceeding from England will be exempted from existing travel ban and allowed to return after conference and that representatives can carry with them documents not subject to censorship and may communicate freely with the Norwegian Government in code through Embassy at Washington.

WINANT

RR

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

366
DIVISION OF
COMMUNICATIONS
AND RECORDS

MF-279

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Pretoria

Dated June 7, 1944

Rec'd 10:38 p.m.

Secretary of State

Washington

69, June 7, 6 p.m.

The acting Prime Minister, the Honorable J. H.

Hofmeyr, has requested me to convey the appreciation of the Union Government to the President of the United States for the invitation of the American Government to send representatives to the forthcoming Monetary and Financial Conference mentioned in the Department's circular telegrams of May 25 and June 3, 6 p.m.

Mr. Hofmeyr states that his government welcomes this opportunity for the exchange of views on a matter of such importance to postwar world and has indicated that the Union Government would appreciate being informed whether the question of the establishment of a Bank for Reconstruction and Development will be included in the agenda of the conference and would likewise be grateful for any further information regarding the agenda. Please reply by telegraph so that the desired information

may be

DEPARTMENT OF STATE
DIVISION OF

JUN 7 1944

COMMUNICATIONS
AND RECORDS

Treasury prepare reply.

-2-#59, June 7, from Pretoria

may be in the hands of the South African delegates before their departure from Pretoria on June 12.

GROTH

JT

WTD

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

368
DIVISION OF
COMMUNICATIONS
AND RECORDS

MJK-20

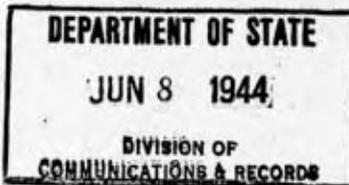
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Montevideo

Dated June 7, 1944

Rec'd 9:49 a.m.

Secretary of State,
Washington.



519, June 7, 10 a.m.

Foreign Office states that Ambassador Blanco
will represent Uruguay as delegate to Monetary and
Financial Conference and that no personnel will be
sent from here. It is presumed that Department will
obtain from Blanco the information requested in its
circular telegram June 3, 6 p.m.

DAWSON

CAW
LMS

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

369
DIVISION OF
COMMUNICATIONS
AND RECORDS

MRE-71

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (SECRET O)

Chungking via NR

Dated June 7, 1944

Rec'd 4:58 p.m.

Secretary of State

Washington

985, June 7, 11 a.m.

TO SECRETARY TREASURY FROM ADLER

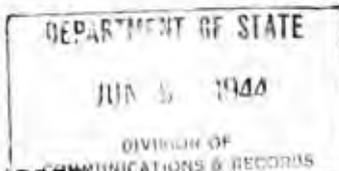
WEEKLY ECONOMIC

One. At Twelfth Plenary Session of Kuomintang CEC following decisions of economics significance were taken:

A. Price control machinery failure of which was ascribed to lack of experience by both government and people is to be reorganized, with absorption of national mobilization administrative apparatus into commodity administration to be headed -- it is reported -- by Kung.

B. Land tax in kind to be increased in scope and made more progressive in incidence. As Finance Ministry has huge bureaucracy for its collection consisting of 10,000 officials who often came into conflict with provincial and local authorities as well as populace, it was decided that provincial and local governments should be entrusted

with part



-2- #985, June 7, 11 a.m., From Chungking via N.R.

with part of responsibility of collection. This was modified at subsequent conference of provincial governors, so that collection will be divided between Central Government and local magistrates. Conditions render unlikely incidence of land tax becoming more progressive especially as 74,000,000 piculs set as 1944-1945 goal for land tax in kind a line which is more than double 1943-1944. If serious attempts are made to collect such large amount, burden of peasantry will be such that it may lead to peasant disturbances. In addition it is hoped to raise another 26,000,000 piculs from compulsory food purchases and borrowing. 1943-1944 land tax collections together with compulsory food purchases have yielded 61,000,000 piculs or 95% of goal to date, each contributing approximately half the total. C. Sugar monopoly to be revised and partly replaced by a tax in kind. Salt, tobacco, and probably match monopolies to be retained. Fate of other monopolies still undecided.

D. Efforts to be made to import essential materials from allied countries.

E. Soldiers living conditions to be improved and government employees' salaries to be raised.

F. Meeting does not appear to have faced up to gravity of

-3- #985, June 7, 11 a.m., From Chungking via N.R.

gravity of economic situation.

Two. Kung is seriously considering attending forthcoming monetary conference, and while he has not yet made final decision chances are strong that he will go.

Three. At recent joint meeting of five associations of industrialists, resolution adopted pointing out that Kuomintang policy of regulating private enterprise should include measures for its promotion.

Four. Decline in industrial production continues with lay-offs of workers by arsenals and reflow of skilled labor to occupied China.

Five. Notes in circulation April CN dollars 104,363,000,000.

Six. Current market rates for United States currency: Kweilin 160, Kunming 190, Chengtu 190, all for large notes; Chungking 165 for small notes. United States bank ID certificates 110 and bonds 95. Gold unchanged.

Conditions in Shanghai in March (source Second Secretary Behringer). Nanking regime announced early 1944 its note circulation was CRB dollars 18,000,000,000-20,000,000,000, but Shanghai bankers estimated it at 40,000,000,000 as Jap Army purchases supplies in Central China with CRB notes of which Central Reserve Bank has no record. Highest previous estimate of CRB circulation

25,000,000,000.

-4- #985, June 7, 11 a.m., From Chungking via N.R.

25,000,000,000. Exchange rates: United States currency CRB dollars 140; pre-December 1941 HK dollar CRB dollars 4-5; FRB dollar CRB dollars 6.80 (official rate 5.55); FRB dollar CN dollars 8-9. While private dealing in Shanghai gold market prohibited, trading continues at CRB 14,000 per Chinese ounce. Stock market still depressed due to Jap seizure cotton and yarn stocks last August for which they have failed to fulfill promise to pay in gold. Real estate values depreciating from fear of airraids. Shipping restricted. Large volume of smallscale private smuggling from occupied China continuing.

GAUSS

NPL
WSB

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

373
DIVISION OF
COMMUNICATIONS
AND RECORDS

CONFIDENTIAL

For security reasons the
text of this message must
be closely guarded
Chungking

LC - 31
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (SECRET O)

Dated June 7, 1944

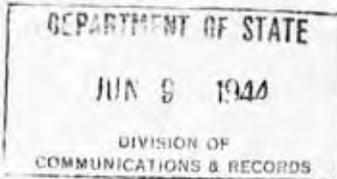
Rec'd 10:45 a.m.

Secretary of State,
Washington.

994, June 7, 6 p.m.

TO SECRETARY OF TREASURY FROM ADLER.

Re your 107 January 20; 306 March 6; and my
685, April 19. Finance Ministry has asked me to
obtain clarification from Washington of current
position with respect to remittances from us to
occupied China.



GAUSS

..... WSB-RR

NOT TO BE RE-TRANSMITTEDCopy No. 11SECRETOPTEL No. 185

Information received up to 10 A.M. 7th June, 1944

1. NAVAL

5th/7th Beaufighters attacked 3 German destroyers south of BELLE ISLE damaging one of them. A number of U-boats have been reported off PREST Peninsula. On 6th One of H.M. Submarines torpedoed and probably sank German controlled S.S. LORION 4,800 tons in the AEGEAN. Another ship was possible hot.

2. MILITARY

Italy New Zealand troops have occupied FREGASSEROLI, and Indian troops are fighting in SURIACC. U.K. and South African armour have thrust ahead North of ROME, former being 11 miles along highway 4 and latter 17 miles along highway 3. U.S. troops are 11 miles North-west of ROME along highway 2, while U.S. armoured elements are about 14 miles East of ROME along highway 1.

Burma Japanese are withdrawing from the area immediately north and east of KOHIMA.

3. AIR OPERATIONS

Western Front 5th/6th. 5,197 tons were dropped on coastal batteries and defences in the CHERBOURG/CAEN area. 6th/7th/ 1, 179 aircraft despatched:

ACHERES railway yards 104; ...
 VIRE railway and road junction 112,
 CAEN 129,
 CHATEAUXDUN railway centre 112,
 ST. LO Road junction 128,
 LISIEUX railway centre 104,
 COUTANCES railway and road junction 139,
 CONDE SUR NOIREAU 122,
 LUDWIGSHAFEN 32,
 Other tasks 82,

13 aircraft missing. 12 German aircraft destroyed by Mosquitoes.

Italy 4th/5th Allied bombers dropped 86 tons on road junction at TERNI

5th. 446 escorted heavy bombers - 4 missing, dropped 916 tons on railways in North and Central Italy. 422 medium and light bombers and 429 fighters (7 missing) attacked communications North of ROME.

Rumania 6th. Liberators dropped 628 tons on oil refineries PLOESTI and 286 tons on railway centre BRASOV.

NOT TO BE RE-TRANSMITTEDCopy No 11SECRETOPTEL No. 1831. FRANCE

Reports received to 9:30 p.m. 6th. Airborne landings carried out by two U.S. Parachute divisions in CHERBOURG PENINSULA, North of CARENTAN and one British Parachute division Northeast of CAEN. Shore-landings successfully achieved by three U.S. and three British Divisions between CHERBOURG Peninsula East of VALOGNES and estuary of RIVER ORNE. Enemy light naval forces attempted to interfere but were driven off. U.S. progress unknown. British troops hold general line RYTS (4 miles North-east of BAYEUX) to BIEVILLE (3½ miles Northeast of CAEN) and bridges over canal and ORNE at BENOUVILLE northeast of CAEN captured intact.

OPTEL No. 184

Information received up to 10 A.M. 7th June 1944.

1. FRANCE (6th)

Our assault forces met little opposition from surface craft and none from aircraft. Landings were effected under cover of sea and air bombardment. U.S. assault troops landed west of the VIRE estuary and to the eastward where they met considerable opposition in the St. LAURENT district where there was the heaviest resistance. Landings were endangered by mines near the beaches and it was reported that several landing craft had capsized or stranded and some tanks had been lost.

Very few casualties in men and aircraft was suffered during the airborne operations. Successful attacks on shore batteries continued throughout the day and H.M.S. WARSPITE silenced all but one gun in an important battery by 2:20 P.M. Follow-up forces arrived in the assault area during the afternoon.

A convoy from the THAMES was shelled by coastal batteries in STRAIT of DOVER during the afternoon and a 7,000 ton vessel was sunk. There were approximately 430 survivors from total complement 580. A personnel convoy of 10 large troop ships containing the first build-up division passed through the Strait without interference. During the day minesweepers swept the assault areas and widened the approach channels.

(7th) By 12:30 A.M. following had been occupied

ISLAND OF ST. MARCOUF
Villages of ST. MARTIN, VARREVILLE, ST. LAURENT, COLLEVILLE,
COMMES, ARROMANCHES, RYES, CREPON, BANVILLE, HENNANVILLE,
SUR ORNE.

Casualties among Allied ships; a Norwegian destroyer and a U.S. Destroyer sunk; One of H.M. Destroyers and a U.S. minesweeper damaged.

On 6th, total 2,656 sorties flown by heavy bombers with fighter support, and from reports so far received about 2,000 sorties flown by bombers and fighter bombers of A.E.A.F., also supported by fighters against objectives in and around the assault beaches, and towns and villages in the area. In addition 460 aircraft, each towing a glider and escorted by fighters were detailed to arrive over the assault area between 8 P.M. and 9:30 P.M.. Enemy casualties 7:0:3, ours 11 bombers and 27 fighter bombers and fighters missing.

Regraded Unclassified