PRESS CONFERENCES

BOOK 21

MAY 4 - SEPT. 28, 1942
"American Heroes Day"
SEE Financing, Government (War Savings Bonds and Stamps) - 7/9/42

SEE Financing, Government (War Savings Bonds and Stamps) - 7/16/42

Appointments and Resignations
"Off the record", HWR announces that Ed Foley, General Counsel, has tendered his resignation to enter Army and while President has accepted HWR's recommendation as to his successor, President has not had time to send nomination to Senate - 7/30/42

a) Announcement will come from White House - 7/30/42
b) Randolph E. Paul appointed General Counsel as successor to Ed F. Foley - 8/3/42

Axis Nations
SEE Inter-American Conference - 6/29/42

- B -

Banks
SEE Financing, Government (War Savings Bonds and Stamps) - 7/30/42

Bartlett, Edward F.
SEE Financing, Government (War Savings Bonds and Stamps) - 6/29/42

Blackmer, Henry K.
SEE Foreign Funds Control - 6/22/42

Budget Matters
SEE Financing, Government - 6/15/42

- C -

Cairns, Huntington
SEE Appointments and Resignations - 8/3/42
China

Lunch Currie in China on business for President - 8/3/42 .................................................. Book 21: 228-30

Chrysler Corporation

SEC Financing, Government (War Savings Bonds and Stamps) - 9/10/42 ........................................... 300-02

Coinage

Local bank needed $200 of pennies but could only obtain $50 worth on one occasion - 8/3/42 ........... 226-28

a) EWFr hoped to avoid such cases, as Bureau of Mint has been operating 24 hours a day against such situation - 8/3/42 ........................................... 227

Compulsory Saving

SEC Tax, Income - 6/4/42 ........................................... 66-79

SEC Financing, Government (War Savings Bonds and Stamps) - 7/30/42 ........................................... 217-23

SEC Tax, Legislation - 9/10/42 ........................................... 280-305

SEC Tax, Legislation - 9/17/42 ........................................... 317-21

Currie, Lunch

SEC China - 8/3/42 ........................................... 228-30

D

Deferrals

SEC Military Service, Deferrals, re: Milburn McCarty, Jr., 6/29/42 ........................................... 126-44

SEC Military Service, Deferrals, re: Milburn McCarty, Jr., 7/2/42 ........................................... 152-57

Doughton, George, Chairman, House Ways and Means Committee


F

Fall, Albert B., Secretary of Interior

SEC Foreign Funds Control - 6/22/42 ........................................... 93-103

Federal Security Agency

SEC Tax, Legislation - 9/26/42 ........................................... 324-30
Financing, Government

2½% bond offering going well, especially in Middle
West - 5/14/42

a) HJr explains that this type of issue is
designed for insurance companies, states,
et al., but is not redeemable like War
Bonds and banks cannot buy them for first
10 years and owners cannot sell for 60
days after purchase - 5/14/42

SEE Tax, Income - 5/14/42

SEE Financing, Government (War Savings Bonds and
Stamps) - 5/14/42

"Tap" issue total sales amount to over $800 million;
being closed May 14 - 5/14/42

a) More such issues will be offered from time to
time - 5/14/42

SEE Financing, Government (War Savings Bonds and
Stamps) - 5/25/42

SEE Tax, Withholding - 5/25/42

SEE Financing, Government (War Savings Bonds and
Stamps) - 6/1/42

SEE Tax, Evasion - 6/1/42

Weekly bill offerings will be increased from $250
million to $300 million, effective June 10, which
will increase receipts by $150 million weekly; no
regular financing will be done until June 15 -
6/1/42

SEE Tax, Income - 6/1/42

HJr maintains position that $8.7 billion revenue
needed can be raised between President's budget
message and lowering income tax exemptions - no
sales tax is contemplated - 6/15/42

a) HJr expects to have a tax bill through House
in 2 weeks - 6/15/42

HJr announces need for $3.75 - $4.5 billion, through
regular financing for July and August, all new
money - 6/22/42

SEE Financing, Government (War Savings Bonds and
Stamps) - 6/5/42

SEE Tax, Income - 6/25/42

SEE Financing, Government (War Savings Bonds and
Stamps) - 6/29/42

HJr announces that a $2 billion dollar bond issue
will be offered July 8 - 7/6/42

HJr
Financing, Government (Continued)

Two New York banks bought $125 & $100 million
respectively of July 8 bonds; issue going all
right - 7/9/42.................................................. Book 21: 171

SEC Financing, Government (War Savings Bonds and
Stamps) - 7/9/42............................................... 172
SEC Financing, Government (War Savings Bonds and
Stamps) - 7/16/42............................................... 177
SEC Tax, Income - 7/27/42.................................... 199-201
SEC Financing, Government (War Savings Bonds and
Stamps) - 7/30/42............................................... 217-23
SEC Financing, Government (War Savings Bonds and
Stamps) - 8/6/42............................................... 233-37 &

$342 million, 2% Treasury notes will be paid off on
maturity September 15; $320 million, 7/2% RFC
notes, maturing October 15, will also be paid off
- 8/24/42..................................................... 249-58

Press given table showing statistics on sale of
"tap" issue, by districts and various groups in
total of 9,357 purchasers - 8/24/42......................... 259

a) Sales total $1.25 billion or $250 million
more than anticipated - 8/24/42............................ 260-62

SEC Tax, Income - 8/24/42................................... 262
SEC Tax, Legislation - 9/10/42................................ 265-69
SEC Tax, Legislation - 9/17/42................................ 280-305

October financing will be announced about 2nd week
of month; $4 billion will be asked - 9/28/42.............. 317-21
SEC Tax, Legislation - 9/28/42................................ 322

Financing, Government
War Savings Bonds and Stamps:

While sales of Series H bonds for May are above
quota, EMIR favors voluntary payroll savings
plan - 5/14/42.................................................. 324-30

Effective July 1, 1942, purchase limits on Series
F and G bonds will be raised from $50,000 to
$100,000; no change on limit of E bond pur-
chase - 5/25/42.................................................. 32-35

Press is given statement showing gain of 5.7% over
$600 million quota for May in sales of Series H
bonds; F and G sales short - 6/1/42.............. 40-54
(See Release No. 190, p. 62).
Financing, Government (Continued)

War Savings Bonds and Stamps:

a) 2½% "ep" bond issue offered which accounts for lower sales of F and G bonds; this issue brought $350 million - 6/1/42......... Book 21: 43-44
b) EMJr favors continuing voluntary savings rather than compulsory savings; sales going well with many companies and unions just starting plan - 6/1/42................. n 44-45
c) April sales of all bonds were $530 odd million, in May $632 million; April sales of E's were $326 million, May $321 million; April sales of F's were $40 million; May $42 million; April G's $163 million; May G's $170 million - 6/1/42.............. n 46-47
d) Volunteer plan working well. EMJr does not wish any coercion used nor compulsory savings enforced; feels additional $5.7 billion increased revenue asked of Congress should be raised in higher personal and corporate income brackets where loopholes exist, as wage earners are doing all they should be asked for this year - 6/1/42.......

EMJr fears June quota of war bonds will not be reached, but people are beginning to feel more serious about the war which helps bond sales - 6/25/42................. n 116-19

a) Voluntary payroll deduction still increasing - 6/25/42..................... n 116-19

EMJr gives statement topress showing Treasury employees have subscribed 10.8% of their monthly salaries in war bonds; says success of campaign is due to efforts of Mr. E. F. Bartelt - 6/29/42.............................. n 126 & 150

(See statement p. 150)

July 17 designated "American Heroes Day" when a 1-day rally will be staged by retail stores throughout US following pattern set by Vineland, N. J., on May 30 - 7/9/42........................................ n 172

600 cities in US participating in "American Heroes Day" and over 5700 stores have applied to become issuing agents - 7/16/42........................................ n 177
Financing, Government (Continued)

War Savings Bonds and Stamps:
July sales of war bonds will run around $900 million; payroll allotments increasing monthly both as to number of persons subscribing and percentage being deducted - 7/30/42............... Book 21: 217-23

a) Treasury and Navy ahead of other Government Departments - 7/30/42................. 218

b) EMJr raising $4.5 to $5 billion per month through several means, of which war bond sales compose about 1/3 to 1/5 of total - 7/30/42......................... 219-20

c) EMJr exerting every effort to get money outside of banks; cites that 40% of bills are held by non-banking sources, and "tap" issues cannot be bought by banks - 7/30/42................................. 220-21

d) As long as the $4.5 to $5 billion per month can be raised by voluntary buying, EMJr will avoid any form of compulsory savings, or forced loans - 7/30/42........................................ 221-23

EMJr gives press copies of charts and explanatory tables showing progress of sales of savings bonds from May, 1941, to July, 1942, broken down to reflect: 1) Total all sales E, F and G series; 2) Sales in series E by denomination; 3) Extent of participation in payroll savings by groups; 4) Progress of payroll savings plans; 5) Estimated deductions from payrolls for war bond purchases.
(See tables and charts pp's. 249-252) - 8/6/42. 233-37 & 249-58

See Tax, Legislation - 9/10/42......................
In response to criticism of public re: length of time it takes to make delivery of bonds; 4000 telegrams were sent out urging agents to speed up deliveries - 9/10/42.......................... 300-02

a) Cites record of Chrysler Corporation making delivery in 3 days as compared to unidentified company taking 35 days - 9/10/42................................. 301

b) Instructs Treasury that deliveries must be made in 5 days - 9/10/42.......................... 302
Foreign Funds Control
Foreign Funds Control has uncovered and frozen $10 million American securities in numbered, trusted accounts in name of Henry W. Blackmar, missing key witness in prosecution of Secretary of Interior, Albert B. Fall, for Teapot Dome Case - 6/22/42.
   a) Funds frozen to satisfy claims of US for income tax, fines, etc. - 6/22/42
      (See Press Release No. 32-16 - 6/22/42, p. 108)

Foreign Trade
SEE Inter-American Conference - 6/29/42

Gasoline, High Octane
SEE Lend-Lease, U.S.S.R. - 9/28/42

George, Senator Walter F., Chairman, Senate Finance Committee
SEE Tax, Legislation - 9/10/42

Gold
Some Latin-American countries are now holding more gold - 7/27/42
   a) Suggestion that new Statue of Liberty be built of US gold stocks, considered "silly" by HHW - States: "Liberty is a spirit; you can't measure it in worldly goods." - 7/27/42

Inflation
SEE Tax, Income - 5/14/42
SEE Tax, Legislation - 9/10/42
SEE Tax, Legislation - 9/17/42
SEE Tax, Legislation - 9/22/42
Inter-American Conference
Representatives of 21 American Republics will meet June 30 to discuss economic and financial controls necessary under Section 5 of January Rie pact to cut off commercial and financial intercourse between Western Hemisphere and Aggressor
Nations - 6/29/42................................. Book 21: 144-46

Latin America
SEE Inter-American Conference - 6/29/42...................... * 144-46
SEE Gold - 7/27/42.................................... * 204-05

Land-Lease
U.S.S.R.
Harold L. Ickes, Petroleum Coordinator for War notified H&W, and Clifford E. Mack, Director of
Procurement, signed letter of intent, authorizing
the design, purchase, and shipment of a refinery,
manufaturing high octane gasoline and oil, for
Russian Government - 9/28/42.......................... " 331-37
a) Treasury acting as purchasing agent for
Russian Government under Land-Lease -
9/28/42................................................ " 336

Liberty, Statue of
SEE Gold - 7/27/42.................................... * 204-05

Mack, Clifford E., Director, Procurement Division
SEE Lend-Lease, U.S.S.R. - 9/28/42...................... " 331-37

Military Service
Deferments:
To correct story printed by Washington Daily News
regarding Treasury's request that Milburn
McCarty, Jr., be deferred to continue in job as
Chief, Press Section, War Savings Staff, H&W,
isues copies of correspondence between Navy
and Treasury - 6/29/42................................. " 126
Military Service

Deferrals!

a) Feels an injustice was done McCarty by
news story, as he was willing to forego
Navy commission and risk being drafted,
to continue Treasury work - 6/29/42
(See copies of correspondence p.p. 148
and 149)

b) States that Treasury has only asked for
around 6 deferrals not longer than 6
months each, in order to train new
employees on skilled work - 6/29/42

HWR corrects statement of June 29 re: deferral
of Milburn McCarty, Jr., after investigation
disclosed deferral had been asked - 7/2/42

a) States Treasury has requested 3 deferrals
for 6 months, 8 for 3 months, and 4 for
2 months - total 15. Of these, 8 are
still on deferred status. No permanent
deferrals have been or will be asked -
7/2/42

Mint, Bureau of

SHE Coinage - 8/3/42

Morgenthau, H., Jr.

SHE Speeches by HWR - 6/1/42

Mutual Broadcasting System

SHE Speeches by HWR - 6/1/42

- Mc -

McCarty, Milburn, Jr., Chief, Press Section, War Sav-
ings Staff

SHE Military Service, Deferrals - 6/29/42
SHE Military Service, Deferrals - 7/2/42

McFutl, Paul V., Administrator, Federal Works Agency

SHE Tax, Legislation - 9/26/42

- N -

Navy Department

SHE Financing, Government (War Savings Bonds and
Stamps) - 7/30/42

- M - (Continued)
Office of Price Administration
(Same as Price Administration, Office of)
SEE Silver - 7/30/42................................. Book 21: 211-17
SEE Silver - 9/17/42................................. 315-16

Oil
SEE Lend-Lease, U.S.S.R. - 9/28/42............. 331-37

P-
Paul, Randolph E., General Counsel
SEE Appointments and Resignations - 8/3/42...... 231-32

Pennies
SEE Coinage - 8/3/42................................. 226-28

Petroleum
SEE Lend-Lease, U.S.S.R. - 9/28/42............. 331-37

Price Administration, Office of
SEE Silver - 7/30/42................................. 211-17
SEE Silver - 9/17/42................................. 315-16

Reconstruction Finance Corporation
SEE Financing, Government - 8/24/42............. 259

Rufl, Beardsley
SEE Tax, Income - 7/27/42............................ 199-201
SEE Tax, Income - 8/24/42............................ 265-69

Russia
SEE Lend-Lease, U.S.S.R. - 9/25/42............. 331-37

S-
Silver
MFD requires more silver but Treasury cannot sell
any which comes under the Silver Act; would have
all silver legislation stricken from books -
5/14/42................................................................ 24-25
Silver (Continued)

Shortage of silver is seriously affecting industry. Treasury only has about 5 million ounces which is being held in reserve for emergency - 7/30/42. Book 21: 211-17

a) To ease the situation, Treasury has given miners and refiners up to 6 months between time contract is made and delivery expected - 7/30/42. 212-13

b) Domestic users and Treasury are impeded by: 1) OPA ceiling prices; 2) WPB priority regulations; and 3) Silver Purchase Act - 7/30/42. 214-15

c) Silversmiths unable to purchase foreign or domestic silver at any price, as it is being diverted by WPB priority to war industries - 7/30/42. 216-17

Bill before Congress to permit Treasury selling the 5 million ounces of silver, not covered by restrictions of Silver Purchase Act, to war industries for critical shortages - 9/17/42. 315-16

Silver Purchase Act

SEE Silver - 7/30/42. 211-17
SEE Silver - 9/17/42. 315-16

Social Security

SEE Tax, Income - 6/4/42. 66-79
SEE Tax, Legislation - 9/26/42. 324-30

Speeches by EWR

Will broadcast over NBC re: tax matters, June 3, opening series of broadcasts as follow-up of President's 7-point program - 6/1/42. 54-55

Standard and Poor

SEE Tax, Income - 6/4/42. 66-79

Stewart, Walter W., Institute of Advanced Study, Princeton, N. J.

SEE Tax, Legislation - 9/10/42. 280-305
Tax

Evian;

700 companies holding war contracts will be investigated to determine whether they are reporting correctly on earnings and tax payments - 6/1/42. 

Examination:

SEE Tax, Income - 5/14/42 ' 8-20
Head:

SEE Tax, Income - 5/14/42 ' 8-20

Income:

Lowered individual income tax exemptions of $600, $1200, and $300 as recommended by Treasury, changed by Congressional vote to $500, $1200, and $400 - 5/14/42. 

a) Action based on statistics of Bureau of Labor Statistics showing increased income in $2000 and $3000 income group 5/14/42 ' 8-11

b) Of $1.1 billion that will be raised by new taxes, $100 million will be raised by lowering exemptions - 5/14/42 ' 11

c) New tax bill increase levy on $2000-$3000 group and brings in another lower income group, which is an anti-inflationary measure - 5/14/42 ' 15-17

d) HJR approves Senator George's suggestion that every tax payer, whether liable for income tax or not, pay an "examination tax" which would contribute revenue and help defray cost of examining small returns; this source might produce $100 million - 5/14/42 ' 15-17

e) Law requires that, in addition to cash, anything of value (such as board) will be reported as income; this will bring in farmers and domestic servants heretofore not taxed - 5/14/42 ' 16-20

1. Constitutionality of "head tax" must be investigated before "examination tax" could be levied.

SEE Tax, Withholding - 5/25/42 ' 36-37

SEE Tax, Evasion - 6/1/42 ' 57-61
Tax (Continued)

Income:

HJr gives press copy of statement issued by Standard and Poor reflecting Treasury's views against withholding income tax at source, increasing Social Security rates, and enrolling savings plans all at once "at this time" - 6/4/42.......................................................... Book 21: 66-79

a) Opposes compulsory savings in belief that more bonds will be bought on volunteer basis - 6/4/42.......................................................... 66-79

SE Financing, Government - 6/15/42.......................................................... 84-95

Beginning January 1, 1943, 5% of taxable net income, due March 15, 1944, will be withheld at source - 6/25/42.......................................................... 119-25

a) HJr also favors allowing monthly deductions or payments to pay 1942 tax due March 15, 1943 - 6/25/42.......................................................... 120-24

b) Chairman Doughton also favors monthly payment plan - 6/25/42.......................................................... 122-24

HJr disapproves the Beardsley Rum plan of skipping 1 year's taxes to put everyone on pay-as-you-go basis, since this would mean loss of 1 whole year's taxes that are badly needed now - 7/27/42.......................................................... 199-201

"Off the record", HJr states that the "Rum plan" is designed to help a few high salaried executives - 8/24/42.......................................................... 265-69

a) Treasury suggested plan to Senate Finance Committee which would eliminate special groups benefitting by plan, and HJr feels this will kill interest in plan - 8/24/42.......................................................... 267-28

HJr agrees that any plan which allows people to pay taxes currently would be helpful - 8/27/42.......................................................... 272-73

HJr feels that a "spending tax" is only means of taking up the $20-$30 billion gap between the public's buying power and purchasable goods - 9/10/42.......................................................... 280-305

a) Would raise $62.4 billion as compared with Senator George's proposed "Victory Tax" producing $33 billion; would be a deterrent to spending; and encourage in investing in Government securities - 9/10/42.......................................................... 281
Tax (Continued)

Legislation:

b) "Off the record", HWJr feels that borrowing from banks is not inflationary, if people do not use the money to compete against each other for goods - 9/10/42................................. Book 21: 295

1. Has had the advice of Jacob Viner, Walter Stewart, and other outstanding economists and bankers and this is their conviction.

2. See article, "Inflation: Menace or Bogey?" by Jacob Viner, between pp. 305 & 306 - 9/10/42................................. 295-97

c) The proposed "spending" tax is intended to supplement the bond purchase program, as payroll deductions and volunteer savings are not meeting expenses of war program and HWJr feels the "spending" tax, plus the regular financing, etc., will supply the required funds - 9/10/42................................. 298-305

d) If some relief is not provided in present tax bill, eventually, some form of "forced savings" must be imposed to meet cost of waging war - 9/10/42.................................

Tax bill as being drafted, is wholly inadequate because:

a) Yield is insufficient, only $24 billion instead of $30 billion needed.

b) Does not contain provision for restriction of expenditures, and leaves loopholes such as depletion, exemption on past tax-free issues, only future issues taxed; and joint returns.

c) No provision is made for "spending" tax - 9/17/42................................. 317-21

d) As result, some legislation must be enacted which will be deterrent on spending and incentive to save - 9/17/42................................. 321

HWJr gives formal statement on Vandenburg Amendment citing need for increased Social Security schedules, as of January 1, 1943, the yield from which is expected to defray war costs, as well as act as an inflation control - 9/26/42................................. 324-30 & 40
Tax (Continued)

Legislation:

a) Vandenberg Amendment would reduce revenue over $1 billion, instead of producing additional increase of $2 billion - 9/28/42

b) Statement endorsed by Paul V. McNutt, Administrator of TAA - 9/26/42

(See copy of statement on p. 340)

Sales:

SER Financing, Government - 6/15/42

Spending:

SER Tax, Legislation - 9/10/42
SER Tax, Legislation - 9/17/42

Victory:

SER Tax, Legislation - 9/10/42

Withholding:

MRJ reads press statement by Chairman Doughton of House Ways and Means Committee, to effect that Treasury's 10% tax deduction at source proposal needs more study, but is not dead - 5/25/42... SER Tax, Income - 6/25/42

Temnot Dome Case

SER Foreign Funds Control, re: Henry W. Blackmer - 6/22/42

U.S.S.R.

SER Lend-Lease, U.S.S.R. - 9/28/42

Vandenberg, Senator Arthur E., (Michigan)

SER Tax, Legislation - 9/28/42

Vineland, New Jersey

SER Financing, Government (War Savings Bonds and Stamps) - 7/9/42
SER Financing, Government (War Savings Bonds and Stamps) - 7/16/42

A 108

331-37

324-30

172

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Viner, Jacob, University of Chicago
SEE Tax, Legislation - 9/10/42

War Conditions
Price Control

SEE Silver - 7/30/42 211-17
SEE Silver - 9/17/42 315-16

War Production Board

SEE Silver - 5/14/42 24-25
SEE Silver - 7/30/42 211-17
SEE Silver - 9/17/42 315-16

War Savings Bonds and Stamps

SEE Financing, Government (War Saving Bonds and Stamps) - 5/14/42 22-24
SEE Financing, Government (War Saving Bonds and Stamps) - 5/25/42 32-35
SEE Financing, Government (War Saving Bonds and Stamps) - 6/1/42 40-54
SEE Financing, Government (War Saving Bonds and Stamps) - 6/25/42 116-19
SEE Financing, Government (War Saving Bonds and Stamps) - 6/29/42 126 & 150
SEE Financing, Government (War Saving Bonds and Stamps) - 7/9/42 172
SEE Financing, Government (War Saving Bonds and Stamps) - 7/16/42 177
SEE Financing, Government (War Saving Bonds and Stamps) - 7/30/42 217-23 & 218-223
SEE Financing, Government (War Saving Bonds and Stamps) - 8/6/42 233-37 & 249-58
SEE Financing, Government (War Saving Bonds and Stamps) - 9/10/42 280-305 & 300-302

Washington Daily News

SEE Military Service, Deferments, re: case of Milburn McCarty, Jr., - 6/29/42 126-44
SEE Military Service, Deferments, re: case of Milburn McCarty, Jr., - 7/2/42 152-57
I am afraid you gentlemen will be disappointed.

We are never disappointed.

How is your cold, Mr. Secretary?

Unfortunately, it is not right yet, thank you.

The seven-nine two percent bond was well received, and a little later in the day for those that are interested, we may have--

What reports do you get about the tap?

Just a second. The reports are slow in coming in, but we most likely will have an announcement for you around five o'clock whether we will or won't close. The chances are nine out of ten we will, but we want to wait.

On the two percent?

Yes. The reason is - it is interesting. Just for background, the Middle West - I mean outside of New York there are bigger buyers, because that is more and more where the money is. In other words, in New York City and that area there is little war work. The banks outside of New York are beginning to accumulate the money for the
Fed, but that is just for your own background; and, therefore, we have got to wait until we hear from Chicago. I wouldn't be surprised to see Chicago buy more than New York. But normally we would know by three o'clock. We now have to wait for Chicago and Kansas City, and so forth. But that is just for background.

Q. What does the East say about the two and a half?  
A. The two and a half, they say, has been very well received, and there have been a number of inquiries; but in view of the fact that the insurance companies are going to have to hold a board of directors meeting and vote on the - they tell me the reception on that is very good.

Q. Have you formed any impression at all of how much money you might raise through that issue?  
A. I don't like to guess. I would rather talk about accomplishments.

Q. I didn't quite get your reference about insurance companies and holding board meetings.  
A. Well, for instance, they inquire, it is a big insurance company, and they call all their directors together and decide that they are
going to buy. I take it the reason they are going to have to call their boards together is because they want to buy a much bigger quantity than they have ever bought before.

Q. I was going to say, I thought they were in the bond market most every day, anyway.

A. Well, that is the interpretation I give it, but I spoke to the president of the Federal Reserve in New York just before you came in, and he said inquiries are excellent.

Q. Is there any possibility that that issue could be bought for taxes?

A. No. You mean to pay your taxes?

Q. Yes, a year later.

A. No, I mean you buy it, and a year later you sell it at whatever the market is.

Q. Well, they are redeemable after sixty days,

A. No, they are salable in the public market.

Q. I thought they were redeemable.

A. No.

Q. Is there any possibility, Mr. Secretary-- I thought they were just like a war bond.
A. Oh, no. They are called--

(Discussion off the record.)

That is what the Federal Reserve recommended last December, but it is not at all - the only resemblance between this issue and what they recommended up to a few days ago is the fact that it is on tap. We are going to keep it open for some time, but otherwise, it is - plus the fact that - the difference is that it is not redeemable like a War Bond, and the bank can't buy it for the first ten years, and you can't sell it for sixty days. Otherwise, it is the same.

(Resumed discussion on the record.)

Q. It is designed for insurance companies and the states, and that type of investors?
Q. Yes, so-called idle funds. But it is quite different. You saw the recommendations last December.

Is there any possibility, Mr. Secretary, that the little fellow can buy a bond that can be sold in the market under the pay-roll deduction?

A. Well, under the pay-roll deduction plan - let's say that you sign up for ten percent.

Q. Well, I am ten percent now.

A. Well, whatever you signed up for. You get, let's say, eighteen dollars and seventy-five cents in a bond. After sixty days, according to the printed schedule on the front of it, you can turn it in each month after the first sixty days for a fixed amount.

Q. But I mean, isn't there a possibility you could fix it up so you could get it originally as a par bond that had a marketability instead of having to go out into the market and buy it?

A. You can't buy a War Bond except from Treasury
or the Federal Reserve or one of these issuing agents.

Q. He is asking, Mr. Secretary, why you don't issue a negotiable bond.
That is right. You put it nicely.

A. Well, the whole thing was designed to help you and me and Miss Chauncey so that it wouldn't go down to eighty-three the way it did in the last war.

Q. Don't you think there are a lot of people who would just as soon take their chances on that as to do it this way?

A. Why should they take their chance when we guarantee them against any loss?

Q. Why not let them have their choice?

A. Well, they can buy all they want of other Government securities. They can buy a hundred dollars worth of this new two and a half issue.

Q. This is the first issue that has come down as low as a hundred dollars.

A. I am not sure. That, I don't know.
Q. I understand the denominations start at fifty.
A. I don't know.
Q. You mean there are bonds in the market at fifty?
MR. SCHWARZ: Yes sir, there are, Mr. Secretary.
H.M. JR: Always have been?
MR. SCHWARZ: Frequently.
H.M. JR: Anything else?
Q. What do you know about the twenty-five thousand dollar limit, Mr. Secretary?
A. Well, that gets in on the tax bill and I spoke to Mr. Paul a few minutes ago. I think I will reserve any commitments I have got for some other day. Things are happening too fast up there. I can't keep up with them.
Q. A lot of people are interested in it.
A. I know, I am too, but I think I will reserve comment. I mean, too much is happening every minute and I can't keep up with it. Well, I warned you. I would be glad to have you stay and talk about the weather. It was a nice rain today.
Q. Your roses are nice too.
Q. Do you feel mellow this morning and inclined to talk about taxes a little bit, Mr. Secretary?
A. Well, there isn't much that I can say that would be helpful.
Q. Perhaps you would like to make a comment on the lowered exemptions?
A. Pride of authorship?
Q. Mr. Secretary, there was rather a sudden reverse of your view on that. Can you tell us why?
A. Well, it is just like I have always said; if after studying the situation I think I am wrong, I am always willing to say so. After March the increased expenditures, increased appropriations, plus studies that we received from the Bureau of Labor Statistics on the families, incomes of families in that group, studies which haven't been made public yet, convinced me that I should change my view.
Q. What do those show, in general, Mr. Secretary?
A. Well, they have asked me not to - I could tell you off the record, but the Bureau of Labor Statistics has asked me not to talk until they have released them.

Q. Can you tell us what general conclusion they bring to your mind?
A. They show increased earnings in the income, in the two to three thousand dollar brackets.

Q. Mr. Secretary, the committee voted a lower exemption for single persons by one hundred dollars than the Treasury recommended. Is that satisfactory to you, agreeable to you?
A. Oh, we have no choice - I mean, if that is what they decided we will accept it.

Q. They voted for five hundred, twelve hundred, and four hundred.
A. We recommended six, twelve, and three.

Q. Mr. Secretary, if by application of the surtax rates they find that from those exemptions they would raise less from individual incomes than
you would prefer to see and say, "This is all we can raise unless you will accept the sales tax,"--

A.

Listen, all they did yesterday, according to the newspapers, was that they announced that they had lowered the exemptions. Now, they haven't set the rates yet, so let's cross that bridge when they build it.

Q.

Better start having new engineers to investigate that bridge.

A.

Let's see them build it first. They haven't even voted on it. They may surprise you; they may go above us. They may go above us. After all, they lowered it from six to five hundred dollars. They may say the Treasury rates on individual incomes isn't high enough.

Q.

You spoke of increased income in the two thousand and three thousand income group. You mean more people that were formerly in a lower group have gone into that group?
A. Well, you see, you can't - a personal interview, they go to a family, say, "How much are you getting? What is your income this year, the first three months of '42 as compared with the first three months of '41", and you find that they are receiving considerable more income.

Q. Well, of course if they were in the two thousand and three thousand or making more money, they are probably in a higher bracket than they would be by the old scale of taxes, now you are pushing the tax down.

A. We are reaching - what is it, six and a half million more people; but out of the billion one hundred million that we said would be raised by lowering the exemptions, as we pointed out, only a hundred million would come through the new taxes.

Q. Mr. Secretary, in view of the lowered exemption, do you feel, or do you not feel, that a withholding tax is now all the more necessary, withholding method of collection?
A. I had better not answer that, I had better wait.
I don't want to be ahead of the committee.

Q. But your lowered exemptions were coupled, I
understood Mr. Paul to say, with the suggestion
that a withholding method of collection went
along with them. That still stands, does it
not?

A. We recommended in my original statement that
the Treasury be given discretionary power -
the President of the United States and the
Treasury be given discretionary power, with-
holding tax, from one to ten percent.

Q. Yes, sir, and the lowering of the exemption
has not changed that recommendation in any way?

A. No, it does not.

Q. Mr. Secretary, you still expect to get some
action on that tax-exempt feature? You are
still hopeful?

A. I can only - I mean, I don't want to say, get
ahead of the committee. They did something
yesterday, so I can talk a little bit about it.
Q. They defeated your depletion recommendation.
A. So I heard.
Q. Will you make a new attempt for that in the Finance Committee?
A. Yes, that we certainly will stick with - certainly stick with it. If there are any loopholes that should be closed, it is that one.

Q. I am still confused, Mr. Secretary, about--
A. Are you really?
Q. Well, I am confused to this extent. I am trying to find out by what logic you decrease the deductions because people are making more money; that is, when you decrease the deductions, you are not only imposing heavier taxes on people that stay in the two thousand, three thousand group, but you are also imposing new taxes on people in lower groups.
A. That is true.
Q. And why the fact that more people are making more money entitles you to tax people heavier
at the bottom of the scale is the thing I can't understand.

They are two separate things. All of us are worried and concerned about the extra money which will be in the people's pockets, with no goods for them to buy, and the effect this money will have on the remaining goods in competition. Now, therefore, after having thought it over for two or three months as an anti-inflationary move, we here in the Treasury thought it was an important one to bring in a new group of taxpayers who would become conscious of the Federal expenditures through paying a small tax; and two, to raise the taxes on the group that largely falls in the two and three thousand dollars. Does that answer it?

Yes, except that it seems to wipe out any relation to this labor study.

No.

Do you mean to say, Mr. Secretary, that the conclusion of the Labor Department study is
that there is a larger proportion of the public purchasing power than you formerly believed was in brackets that didn't pay much taxes?

A. Say that again.

Q. I say, did you find out through the study that a larger proportion of public purchasing power than you previously suspected was in the group that paid small income taxes or not?

A. The answer is yes.

Q. Quite regardless of whether they are making more or less money?

A. Yes.

Q. Isn't it a fact, Mr. Secretary, that a lot of people are coming into the seven hundred and fifty and fifteen hundred group who before were on relief?

A. That is true. But the problem, gentlemen, is so vast and so tremendous that we have got to have more and more people, if they only pay five dollars; and if we could do what Senator George - I don't think he would mind my quoting
him - if we could work out some way - he called it an examination tax, where everybody that files, you see, might pay several dollars, whether they paid a tax or not. In the first place, that would help us finance the examination of this great number of new taxpayers, and if for no other reason it would be good; and also then everybody would pay several dollars. He called it an examination tax.

Q. Are you prepared to recommend that, sir?

A. We are studying it. It is a question of the legality of the thing, whether we can do it legally. We are studying it, and if we can do it legally, I will recommend it.

Q. What would be the legal bar to it?

A. You had better check up; don't quote me on this. I don't want to go out on the end of a limb, but I think it is a so-called head tax, I believe unconstitutional.

MR. SCHWARZ: I will check with Paul.

H.M. Jr: Check with somebody. You can't just say a
five-dollar head tax; I believe that is un-Constitutional.

Q. Is your study of that nearing completion?

A. Well, they are working on that; but if you can have something like it I think it would be very wholesome.

Q. You could have a very lower average rate, gross income, couldn't you? It might accomplish, roughly, the same thing.

A. Well, with exemptions and everything else, the man might file and still not pay any tax, but if he paid several dollars' tax then everybody pays it; and it would make this examination of all of these small returns self-supporting. I mean, we might collect a hundred million dollars that way, which is a tidy sum.

Q. Mr. Secretary, as I understand it - I may be wrong, and I ask you to advise me if I am right - the law requires that a person report as income not only cash but anything of value received for services. Is that correct, sir?
A. Well, you get on that, on those technical questions, and I had better refer you to the tax expert. Get Blough or Paul to answer that. I don't know.

Q. Take the case of a hired man on a farm who receives his board and lodging and a small sum each month, he might be brought under this, this program, by the five hundred dollar exemption.

A. As I understand it, a hired man on a farm figures his wages - you (Mrs. Klotz) can check me on this - I think he figures his wages plus his board.

Mrs. KLOTZ: That's right.

H.M. JR: But a farmer, a married farmer, doesn't show any income for the food he takes off the farm. Is that what you are getting at?

Q. I was just wondering if you wouldn't have that group covered that receive board and lodging.

A. A hired man on a farm, or, as a matter of fact, a hired girl, they have to show, I think, a
dollar a day, whatever it is, for their board, which is added to their income. I think that is correct.

MR. SCHWARZ: That is correct.

H.M. JR: And it is the same on a farm or in a home.

But a farmer, and I have discussed this with Mr. Wickard, does not show anything on his return for the living that he takes, the vegetables - he butchers a calf or a hog or anything else, and that isn't shown.

Q. Doesn't that depend in part on what kind of a return he files?

A. There is only one kind of a return that I know of.
Q. Are you preparing to make recommendations to correct that situation, Mr. Secretary?

A. Well, that is--

(Discussion off the record.)

Off the record, that is like taking on the silver Senators.

Q. As a matter of simple justice, off the record, I think it should be corrected, don't you?

A. Off the record, Mr. Wickard, as a matter of fact, I don't want to make him any more trouble than what he has got because he is doing a swell job. I am talking off the record and trying to get this down to parity and continue the right to be able to sell cotton and wheat. He is going a swell job, but as a matter of fact, he brought the thing up on the basis that farmers want to pay income tax and can't because there is no way of figuring their living. As a matter of fact he brought it up. He says the farmers want to do it. He has got all the fights he can take on just now.

(Resume discussion on the record.)
Q. Mr. Secretary, you would have several hundred thousand domestic servants for the first time on this.
A. No, no, they come on because they figure their board.
Q. I say, they would go on the tax rolls perhaps for the first time.
A. Oh, yes, yes.
Q. Mr. Secretary, you mentioned silver, which the fact is as I understand, WPB would still like some more silver, implying that.
A. Haven't they got a man, Dr. Nelson, who has been up there batting before this group? I read about it in the papers.
Q. I understand the Treasury doesn't know a way around where they can let them have it.
A. No, it is a question of legislation. And if WPB wants it, they can get it much better as a war measure than we could.
Q. Let them do the fighting if there is going to be any done?
A. You got it.

(Discussion off the record)
I think if they need it badly enough, let them fight for it. That is not on the record.

(Resume discussion on the record.)

With our tax bill and a few other things, we have about all we can take care of right now.

There are increasing reports around town and at the capitol that he, sometime during this tax bill consideration, or immediately thereafter, is going to propose some sort of a forced savings. Can you say anything about those?

Now, don't kid me. Don't kid me.

(Discussion off the record.)

Now, look, the President of the United States and myself, plus the people in the Treasury, I think we are a hundred percent for the volunteer plan, but when you got - this is off the record - I don't know, I haven't changed, and I am sure the President hasn't. This is off the record.

(Resume discussion on the record.)

Can you see a possible change in sight?

Not as long as the thing continues as well as it is.

The sales of series E bonds seem to be going down.
A. No, no they are above our quota.
Q. I mean, the total monthly sales each month.
A. No, no, but we are running ahead of our May quota.
Q. On series E?
A. Yes, nicely. We have a nice comfortable margin.
Q. Mr. Secretary, is there anything we can say on the record about compulsory savings?
A. I don't want to open it up. Everybody knows where I stand.
Q. Yes, but you change very suddenly these days.
A. Well, I think that if I know I am wrong, I change; and if I thought I was wrong on the volunteer plan--
Q. It is your privilege to change, sir, but because of the fact that you are in a position where you feel that you must make changes, sometimes we feel we ought to have a right to check on what your position is.
A. That is all right, but my answer is that the volunteer plan for May - is that we have a nice comfortable margin on the quota of E bonds.
Q. Couldn't we say that both you and the President are still in favor of the volunteer plan?
A. I would leave the President out.
Q. But you are?
A. I? Yes, you can put me down as enthusiastically so.
Q. At this particular moment you see no change ahead?
A. That is right. That is all right.
Q. Mr. Secretary, I don't want to appear insistent, but I wanted to ask something about silver, too. Under the law you may not sell that at any price now, is that correct, sir?
A. Under the law, we can't sell any silver. Now, we have got a little silver and a little there that we got in a different manner - we got some from the Philippines, and little odds and ends, and that we told the committee about, and that we are selling slowly. They know about it. They have no objection. But outside of that, I mean, the silver that comes under the silver act, we can't dispose of it.
Q. Regardless of price?

A. Regardless of price. Well, until that—we have what is it, one fourth?

Q. One fourth?  

A. One fourth.

Q. You have no objections to WPB taking that thing over if they can get an O.K.?

A. No, none whatsoever.

Q. You would cheer them along, wouldn't you, sir?

A. You know where I stand. I told the silver committee that, and I repeat myself, that if I had to decide it, I would strike all silver legislation off the books, and I haven't changed.
Q. Mr. Secretary, could you say anything about the plans that are on foot to limit corporation salaries or limit increases in corporation salaries to the Bureau of Internal Revenue? Do you have any idea when anything would be coming out on that?

A. No, we couldn't do it through regulation, it would have to be done through an act of Congress.

Q. Well, the regulations say that.

A. Oh, I know what you mean.

Q. That the Bureau can allow reasonable compensation?

A. We may have something on that shortly.

Q. What do you mean, you may have something?

A. Just that.

Q. Well, you think that the powers under that act are sufficient to bring salaries down to twenty-five thousand after taxes?

A. That I can't do alone, no.

Q. You could put some curb?

A. No, I mean, what we are studying is this. I mean, whether corporations have tried to evade
or lower their corporate tax through paying higher salaries to their officers and individuals; and if we find that is so, we have the necessary authority to disallow it, because - that is what you meant, isn't it?

Q.

Yes.

A.

And the answer is, we may have something on that shortly.

Q.

He seemed to have the idea that you could use that also to accomplish the President's program on twenty-five.

A.

No, only some corporation pads its salaries and gives excessive presents or anything to its employees, that can be disallowed and charged to the corporation as a tax, but that wouldn't have anything to do - I mean, let's say the man was getting fifty thousand dollars last year, a hundred thousand dollars last year, and for the last three years, we couldn't disallow that because--

Q.

You mean there would never be any roll-back, so-called?
A. No. Let's say if a man was getting fifty thousand dollars for the last three years; well, that was what he was worth, but if he has been getting, let's say, five thousand for the last three years and then in '41 jump him to a hundred thousand, that is where we stepped--

Q. Supposing he were getting three hundred thousand in the last three years?

A. It still wouldn't make any difference. It is only where they suddenly jumped it, and we think the evidence is that they jumped it in order that the corporation should avoid paying a higher corporate tax.

Q. Has that provision been revoked lately?

A. I don't think so, but we are on it, full force, studying it.

Q. How is the tap issue coming along, Mr. Secretary?

A. Very well. We close it tonight. It will be well over eight hundred million dollars.

Q. You say you are going to close it tonight?

A. We announced that, I think, a day ago - gave them forty-eight hours notice, and everybody did
a fine job for us, and we got more than people thought we would.

Q. Has any arrangement been made to compensate the men who helped sell this for their actual expenses?

A. They haven't asked for anything.

Q. I think they will be down to see you.

A. I am not sure. I am not sure whether they will or not. They have shown a fine spirit.

Q. Do you anticipate having more of these tap issues?

A. Oh, yes, I think so, oh, yes.

Q. They will be the rule from now on, would you say?

A. We never know, I mean, never can tell.

Q. Mr. Secretary, if Congress should pass a retail sales tax, have you been making any study of the machinery that would be required to set that up?

A. No, no, I don't know what Commissioner Helvering has been doing, but he is a very efficient gentleman, and I am sure he has studied it.

Q. Mr. Secretary, Mr. Paul's memorandum spoke
extensively of machinery.

A. It did? Thank you.

Q. Mr. Secretary, the answer to this question is cross that bridge when you come to it, but I want to ask it anyway. Suppose you were given your choice of accepting a sales tax or enforced savings levy, would you have a choice there?

A. My answer would be, stop beating your wife.

Q. You did answer that in committee, didn't you, sir, when you said that the next thing you would give in to would be compulsory savings, if you did, after that the sales tax?

A. I am not sure.

Q. That is the way it was reported.

A. Well, whatever I said is on the record, and I haven't changed. Whatever I said is there. I have no reason to change what I said.

Q. Mr. Secretary, is there anything more on that victory fund campaign than we had?

A. No.

Q. The word victory indicated that you might be going from the War Bonds to the victory side.
A.

No, they put that name on it. They liked it, and I liked it, and they are a very enthusiastic bunch and full of pep and energy, and they wanted to call themselves that, and I said, "Fine." But that gives us two sales organizations, and we need both of them badly. We need both of them, but we have raised that two billion now for this month, plus, so we are all right for this month. All right, ladies and gentlemen. Thank you, Mr. Secretary.

Q.
A. The only bit of news I have got is that we will have a release for you in a little while - the firm of Schwarz and Callahan will, that effective July 1st we are increasing the limits on the F and G so people can buy up to a hundred thousand dollars.

Q. Either F or G, or both?

A. Well, a hundred thousand of F, or a hundred thousand of G, or a hundred thousand of both.

MR. CALLAHAN: A combination of both not over a hundred thousand.

Q. What are the limits on that?

A. Fifty.

Q. Under that can they buy one hundred thousand of F and G?

A. No, only a hundred thousand of both.

Q. Any change on E bonds?

A. No.

Q. Will the statement give the reasons for the change?
No. I mean, it is purely a factual one, but the funds are there to be invested, and the people are writing in from a number of the States—trust funds, they say they would like to buy more. The demand is there, and our motto is we try to please.

Seriously, Mr. Secretary—
I am serious.

Why don't you throw them open altogether?
Because it has an attractive coupon, and limiting the class that could buy them— we have designed them especially for the trust funds.

Two and a half percent is about what you are offering on your regular bonds.

I know, but we have got a big program ahead of us, and we are sort of feeling our way; and we think that this is, after discussing it for months, a move in the right direction.

Would we be speculating wrongly if we said
this, that probably you would open up on
Series E, also, in the future?
A.
On E, no. You mean—
Q.
Would we be wrong if we speculated that this
thing might happen in E?
A.
I would call it a bad speculation.
Q.
A bad speculation?
A.
Yes. There is no consideration being given
to increasing the amount of E Bonds.
Q.
The E Bonds yield two, nine, and could easily
yield two, five at maturity. That is not much
better than the two and a half bonds you
recently sold. I mean—
A.
Yes, but this is a twelve-year bond. This
you can cash in at any time and get your money
back; it has a certain practical feature
which this last offering did not have.
Q.
Doesn't this indicate that your Series E
aren't selling very well, opening up the
F and G in order to build up your quota?
A. As a matter of fact, the normal thing would have been to announce this thing a month from now, and the reason that we did it now was that we were sure that you or somebody else would ask that question; so we did it now when we have a comfortable margin over our quota - no suspicion we were slipping, so we did it at this time. Thank you for asking the question.

Q. And I wasn't coached, either.

A. No, I haven't had time to coach anybody. That is about all.

Q. Mr. Secretary, we have heard some people saying that the proposal for source collection of the tax, carrying with it the possibility that it might be impossible before the end of the year, would tend to defeat the voluntary purchase of bonds, particularly in Series E.

A. Say that again, will you.

Q. That the proposal for collection at the source,
carrying with it the possibility that it might not start before the end of the year, might tend to defeat the goal of wide-spread sales of Series E Bonds, people feeling that if a part of their income is to be taken away from them they wouldn't be able to spend it now as they otherwise might.

I am not trying to be facetious, but I don't know whether you are telling me something or asking me a question.

I am doing both. I am saying lots of people are saying it; that is what I am telling you. What I am asking is, what do you think about it.

Well, I just buzzed for this before you came in (indicating paper) - I mean, this is all that I know, and I haven't had a chance to talk with Paul so I don't know what happened on the Hill. I can just read you this: "The House Ways and Means deferred a decision on the Treasury's proposal to collect ten percent
of the individual's taxable income through deductions," so forth and so on. "Chairman Doughton explained that members felt he had not had sufficient time to decide on a policy as far-reaching and untried as tax withholding. The proposal is not dead, he added." Now, I haven't had a chance to talk with Paul. I think pending my talking with him I had better not go out on the end of a limb. I don't know what happened. Well, assuming that the Treasury still wants that type of tax collection, and I think as far as the Hill goes, it is still very definitely in the picture, what about the possibility, in your opinion, that it will tend to discourage people from buying now?

A. Bonds?

Q. Yes.

A. Well, I just don't know how to answer it. I don't know what to answer.

Q. I see Mr. Eccles was here, Mr. Secretary, Can you tell us what his visit concerned?

A. No, we were talking about a lot of things. One of the things - I am sure he wouldn't
mind - Mr. Eccles, as you know, acts as liaison between the Treasury and the Federal Reserve Board on setting up these Victory Fund Committees, security dealers, and taking a very active interest, and that was-

You mean to sell War Bonds?

To sell the regular Treasury issues. The so-called Victory Fund Committees was one of the things he was discussing; in that huddle was George Baffington, so I know that was one.

Mr. Secretary, have any provisions been made with regard to possible expenditures on subsidies to business? There has been, for example, some money allotted for automobile dealers, and tires; now the gas station people are going out of business very fast, and then you have these port authorities and these bridge authorities, which have floated bonds on the basis of the revenues to be derived from automobile traffic. I am just wondering if there have any provisions been made about it.

We are only on the giving end, and no one
has drawn a check on me yet for that.
I don't know what Mr. Nelson and Mr. Henderson
are doing on that.

Well, I understand there have been some plans
submitted to the Treasury.

Q.

A.

Excuse me, I don't think the thing on the auto-
mobile ever went through, did it?

Q.

A.

No, the President hasn't signed it yet. But
that is one instance, I mean, where the Govern-
ment expects to make some money out of it,
because automobiles will become extremely less
in the future; but take these gas station
people - I understand up in New York City there
has been a lot of stores, real estate, you see,
and I hear that they are drawing up some sort
of a bill for provision by the Government.

If it is, I personally don't know anything
about it. I don't know anything about it,
can't help you. O.K.

Q.

Thank you, Mr. Secretary.
SECRETARY MORGENTHAU'S
PRESS CONFERENCE
June 1, 1942

A. Did you all get the hand-outs? We don't usually have hand-outs.

Q. Congratulations. I hope we will be able to say the same to you the first of July, sir.

A. I hope so, too.

Q. And the first of August.

A. And the first of September.

Q. I thought we would be having compulsory savings by the first of September, and you wouldn't have to worry.

A. Well, I will tell you right now if we make the July the drinks are on me, and they will be good drinks.

Q. Does that indicate that you don't believe we will make it, sir?

A. We will have them either way. I will either drown my sorrow or my joy. How is that? We will have a party in July one way or the other.

Q. A party in July?

A. You can come in uniform.

That is that, and then did you see the other
one about these English heroes coming over?

Q.

Is this going to be a flying circus type similar to some things they did during the World War, if you recall?

A.

I don't know about that, but they are going to a great many cities, and I think we are very fortunate in the fact that the British sent these particular men over.

Q.

Is the tour, the list of places they are going, completed yet?

A.

Just about. We are not ready to release it.

Q.

About how many places are they going to?

A.

Twenty-twenty-odd places.

Q.

Twenty cities?

A.

Yes, sir.

MR. CALLAHAN: Twenty or twenty-one.

Q.

A radical change in your publicity ways, from Hedy Lamarr to the commando.

A.

Which do you prefer?

Q.

The commando.

Mr. Secretary, do you have it in mind how this
Series E Bond sale compares with that of the last month - I can check it.

A. The Series E is considerably ahead. They don't put it in here? All the gain that we made this month over last is in the E's.

Q. Oh, really?

A. Oh, yes.

Q. All of the gain, you mean?

A. Yes, we ran behind on F and G.

MR. CALLAHAN: We can give you those.

H.M.JR: Wait a minute. They don't give the April. They only give the percentages; you don't like percentages. (Examining chart)

MR. CALLAHAN: I can get them in a second.

H.M.JR: Why don't you give it to them because the entire increase is in the E's, and the F and G's - well, I can give it to you in percentages.

Q. All right.

A. The E's - no, it is percentage of quotas. That isn't what you want.
Q. Could we have that, too?
A. No, I tell you what, let him give you the sales of the E's for April and May.
Q. What are the E's, Mr. Secretary?
A. They are the bonds up to five thousand.
Q. Those are the little ones?
A. The little ones, and all the increase is in the small bonds, and the pay-roll deduction plan has gone on very well.
Q. Did you see those figures published by the SEC?
A. Excuse me one second, do you mind. If there is any reason for the F and G's going behind, I think it is possibly that we introduced a so-called tap issue this month, you see.
Q. Introduced what?
A. This tap issue. We introduced this two and a half percent, where they could buy as much as they wanted to, kept it open about fifteen days, and I think that in some way took in --
absorbed some money which would normally have gone to the F and G’s. We sold eight hundred fifty odd million.

MR. SCHWANZ: Eight hundred eighty million of those, two and a half percent.

H.M. JR.: We raised a lot of money this last month.

Q. You know the Securities and Exchange Commission released its own study of the spending habits of the Nation for the first quarter of ’42, showing that despite the drive to sell War Bonds people were spending more of their current income, which is something that you want to combat. Have you any comment?

A. No, not at this time. I may, not too distant. I mean, you are still convinced that the voluntary method of selling bonds is the only way to do it?

A. No. No, I am not convinced it is the only way, but I am convinced that I am still
convinced that it is distinctly well worth trying, and certainly the response from all over the country and the constant - we haven't really got started on this thing.

You haven't begun?

No, they haven't begun. There are lots of companies that are just getting under way. Lots of unions are just getting under way, but it is going so well, and we studied the Canadians, what they have done, and they are ahead of us. They have been doing this thing longer, and they are doing it exactly the same way. They don't have compulsory savings up there. They do it exactly the same way, and they are getting along well on their price situation in Canada with the volunteer method and no compulsory savings.

I hate to have everybody agree with me, Nick, so I am glad you keep questioning this. Otherwise it would almost be unanimous for voluntary savings.
Q. What was the total for April?
A. The total for April was five thirty million five hundred two thousand.

Q. That is all? All classes?
A. That is everything, against six hundred thirty-four million for May; and in May we sold - I will use the nearest round figure - four hundred twenty-two million - four hundred twenty-one million plus in May.

Q. Of E?
A. Of E; and in April three hundred twenty-six million plus, or an increase of twenty-nine percent of the E's. In May we sold of the F Bonds forty-two million plus against forty million in April, an increase of six percent; and the G's a hundred seventy million against a hundred and sixty-three, or 3.8.

Q. One hundred seventy is for May on the G's?
A. Yes. This is very simple from now on; I just have to give these to the lady, no fighting.

(Handed paper)
Q. How does it look to you, Nick, for May?
A. I don't think it is a remarkable increase, Mr. Secretary. I will tell you, I still - compared with the income of the country, the increase it amounts to on the Series E isn't exceptionally large; that is, if you take Mr. Henderson's figures of sopping up this excess consumer purchasing power, at the rate of six hundred million dollars a month you can only have seven billion two hundred million a year.

Q. Would you take a day or two, if I sent somebody with you, to go around and talk to some people that work in the factories, talk to them, see how they feel about it? Would they let you off for a day or two?
A. I don't know, Mr. Secretary.

Q. Ask them. I would like to send you around to talk to some men and women in factories where they have the volunteer pay-roll deduction plan. Why not, because I haven't done it, you see; if you don't mind my saying, you haven't.
Q. Mr. Secretary, do you hear no complaints at all from those men and women that that type of plan is really more coercive in some ways than it would be if you had forced savings?

A. As far as I know, I have yet to get my first complaint.

Q. You can't hear them from time to time around - I mean, they aren't very--

A. I get a large mail, and I have yet to get the first letter that there is coercion being used. Now, the mayor, we got out a release -

(Off the record.)

I don't want to stigmatize the man - the mayor of New Haven made a speech - I mean, this is off the record - about painting the lunch boxes yellow if the men didn't - why I just jumped all over him with hobnail boots. That may happen. Now, he wasn't a factory owner.

(Continue discussion on the record.)

I have yet to get my first letter from a man or woman in the factory complaining about the
coercion and if I get it, we go right to the source. Now, it will happen because people will get over-enthusiastic in this thing. It has happened in Canada. It has happened, and I am not saying that - I am not saying that this is the only answer, but we certainly are going to give it a good trial.

(Discussion off the record.)
Unfortunately the fact - and again this isn't for the record, until the tax bill is settled - it works against me like the devil. I mean, because everybody, and all - several heads of other agencies in town being very doubtful about it, it works against me.

(Resume discussion on the record)
On the record, as far as I am concerned, I am satisfied for May. Now we will see what happens in June, and I will be the first one to say when I am not satisfied. I will be the first one.

(Discussion off the record)
Q. Off the record, Mr. Secretary, the quarrel seems to be whether your plan is truly voluntary or whether it is a more subtle form of compulsion. Off the record, I don't mind telling you that I happened to witness right in this building an instance where somebody was handed a card and hesitated and was handed a slip of paper instructing him how much to put down.

(Resume discussion on the record)

A. Well, off the record, or on the record, I would say that was most unfortunate. I entirely disapprove of it.

Q. I would say that the slip was handed by someone rather close to the program who should know its principles, too.

A. Well, it will happen, and when it does, we will step on it and you will do me a service whenever you point it out or hear about it.

Q. Well, Mr. Secretary, some people also say that where you have a flat ten percent pay-
Q. Off the record, Mr. Secretary, the quarrel seems to be whether your plan is truly voluntary or whether it is a more subtle form of compulsion. Off the record, I don't mind telling you that I happened to witness right in this building an instance where somebody was handed a card and hesitated and was handed a slip of paper instructing him how much to put down.

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Q. Well, Mr. Secretary, some people also say that where you have a flat ten percent pay-
roll deduction, that that oftentimes works more injustices than some other kind of plan where you would be able to grade it, you might be able to if you had forced savings.

Well, if Congress would give me what I have asked for, and we are two billion dollars behind now on the running of the score—that they give me what I would ask for—

Can we say this?

I mean, if they would give me what I have asked for and if the volunteer plan continues to do as well for the next months of June and July as it has in May, I feel that we are asking of the wage earner all that is fair to ask for this year.

Well now, being a very suspicious person, I can see all sorts of things in that. I mean, even if you were to propose an enforced savings plan in July, it might not go into effect until the first of the year.
No, no, just one second. I have got nothing in mind. What I am thinking of is - after all, where we are running behind is in the higher brackets, and not closing the loopholes. That is where we are running behind, the higher brackets, on the personal and on the corporate taxes; that is where we are running behind.

I have got nothing up my sleeve, but if we got our program through, and I repeat myself again, I say the wage earner of this country is being asked to do about all that he can do for this year.

You have gone home, haven't you, and figured it out yourself, if the whole program went through what it means to you on your salary, to be personal. I am sure you have. I am sure everyone in the room has.

Now, we want to get the two billion dollars that we are running behind out of the higher brackets, for both personal and corporate,
and not make up the difference on the lower income group.

Q. A very elementary question, are you talking about two billion dollars in tax revenue?

A. I am talking about two billion dollars increase in tax revenue which we are - the way the program is running on the Hill now we are running behind about two billion dollars. In other words, we have asked for eight billion seven, and it stacks up now about six billion something.

Q. Mr. Secretary--

A. Excuse me. Now, it is very easy for these fellows, "Well, we will make it up in the lower income group" - very easy, ask for forced savings, or for--

Q. Sales tax.

A. Sales tax.
Q. You are talking about the bill pending now?
A. Yes.
Q. The eight billion seven is the revenue you asked for?
A. Increased revenue.
Q. Mr. Secretary, have you any alternate plan for making up that two billion dollars?
A. No, no, and certainly I am not going to make it up out of lower income group; at least I don't pass the law, but I am not going to ask for it on the lower income group.
Q. I thought you might be looking to the Senate to help you out on that.
A. Well, we are not licked yet. We are going to have something to say about it Wednesday night on the radio.
Q. Are you making an address?
A. Yes, opening a series. You had better tell them. Do you know about it?

MR. CALLAHAN: Yes, a series over the MBS under auspices of OFF in which the Secretary leads off, and they are going--
H.M. JR.: Eight-fifteen.

MR. CALLAHAN: Primarily with defense activities, like financing and price fixing.

H.M. JR.: Taxes.

Q. Are you going to give a series?

H.M. JR.: I open the series.

Q. What kind of a series?

MR. CALLAHAN: Series of fifteen-minute talks, I think, twice a week on Mutual.

Q. OFF sponsoring it?

MR. CALLAHAN: OFF.

H.M. JR.: It is a follow-through on the President's seven-point program, that is what it amounts to.

MR. CALLAHAN: It is a report.

H.M. JR.: A follow-through, what each agency is doing.

Q. Did you see those sporting pages Sunday where fifty-three thousand people bet two and a half million dollars at the Belmont race tracks? I mean, that is the type of selective savings that I have in mind, Mr. Secretary.

A. What would you do, stop it?

Q. No, I wouldn't stop it, but I think forced
savings might cut some of that down.

A. Oh.

Q. It isn't a question anybody wants enforced savings, Mr. Secretary.

A. How many people at Belmont there on Sunday came out of the shipyards and the munitions factories, and so forth and so on?

Q. They have got to have some relaxation.

A. I mean, how many did? Well, I'll bet you very few, because I don't think that those people go to those race tracks.

Q. I don't know - a race track crowd is not all the sporty crowd, it is amazing to see it.

A. I don't know - again I am sitting - I don't know, and with all due respect to Nick, Nick doesn't know, and I am trying to get Nick to go into some factories to talk to the people and get his own impression about this thing. I don't know, maybe they are all factory workers, I don't know. But I agree with you that while I am not a race track fan, if a fellow can get away to go to the race tracks, wants a little
fun, I say more power to him - got to have a little fun. That is about as innocent a way I know of of letting off a little steam.

Q. What, betting on horses?
A. No, going to see a horse race.
Q. Oh, they don't go to see the horses.
A. Oh, they don't, well, now--
Q. As a rule they bet, Mr. Secretary.
A. They don't go to see the horse race?
Q. Mr. Secretary, in your statement before the Joint Committee, you referred to--
A. Seriously, they don't.
Q. Well, anyway--
A. The statement before the Joint Committee, you referred--
Q. One second, and we get our ten percent commission, tax on that.
A. Very good, Mr. Secretary.
Q. All right, just so we get our cut.
A. You mentioned thirty-one corporations that had been examined, out of which seven lurid examples were drawn.
A. What kind of examples?

Q. Lurid.

A. O.K.

Q. How many more do you care to indicate, sir, are under examination?

A. About seven hundred, all together. About seven hundred.

Q. You mean seven hundred about which question has been raised?

A. No, no, we just go in, who have— they happen to be the ones that have the war contracts, and we are taking a look at them, first.

Q. You don't mean the seven hundred of them have got questionable deductions, you mean you are examining seven hundred?

A. We are examining seven hundred. I suppose when we have examined the seven hundred we will have covered about ninety percent of all war contracts in this country.

Q. Why that particular seven hundred and not the other ten in there, too, sir?

A. We are taking the biggest ones first.
Q. Then back after the small ones?
A. We will examine them all.
Q. Have you heard any word in the Committee as to your suggestion that those names should be made public?
A. No.
Q. Mr. Secretary, in your statement to the Committee you made a rather vague reference to examining payments to Washington representatives, which are against public policy. Would you like to elaborate on that?
A. Time will tell. Give us time.
Q. Well, there has been some testimony about some fancy fees.
A. I know that, the next day.
Q. The next day.
A. The next day.
(Discussion off the record.)
A. Off the record, that was a break for me, wasn't it?
(Resumed discussion on the record.)
Q. Mr. Secretary, examination of the other seven
hundred as far as it has gone - has that revealed any similar--

A.

Since that evening, I haven't talked with Mr. Sullivan, since the evening we were up on the Hill. I haven't talked on it since then, but the Committee liked it. I saw Mr. George made a statement - I mean, they liked our coming up.

Q.

Do you expect to set forth any more narrow standards to guide corporations in the future?

A.

No.

Q.

Well, some of those were pretty broad. I mean, you just said--

A.

I don't know. I don't know. We did that to be constructive.

Q.

Well, what they did in effect is to put corporations on guard, but some of them still, I suppose, might say, "You tell us a little bit more precisely."

A.

I haven't heard it, but I imagine a lot of people will write in for that statement. We have had it printed up, and as they get questions - there will be questions, but we have copies
Q. You contemplate no further exposition of it?
A. Well, I mean, if we get letters for requests, "What about this", "How about this", we will - I mean, the object of pointing those out was that people will know what we are going to do. We want these people - I wish you would put this down: We want the people who are making munitions to make them, and we want to interfere with their production to a minimum. On the other hand, those corporations who are trying to beat the game, we are going to get what the Government is entitled to in taxes. Any of the companies who have lived up to both the spirit and the letter of the law, they can just go ahead and manufacture. That is what we want them to do, produce, produce, and produce more. Thank you, Mr. Secretary.
WASHINGTON, D. C. -- May sales of War Savings Bonds were $634,357,000 or 5.7% more than the $600,000,000 quota set for the nation during the month, Secretary Morgenthau announced today. In announcing that the first national monthly quota had been exceeded, the Secretary said the sale of War Bonds, by series, was divided as follows:

Series E Bonds, $421,831,000; Series F, $42,465,000; and Series G, $170,060,000.

The War Savings Bond quota for the nation for June will be $800,000,000, while the monthly quota for July and thereafter will be $1,000,000,000.

Total cash deposits at the Treasury for all three series of Bonds by months: May, 1941, $349,818,000; June, $314,527,000; July, $342,132,000; August, $265,005,000; September, $232,276,000; October, $270,713,000; November, $233,487,000; December, $528,599,000; January, $1,060,546,000; February, $703,200,000; March, $557,892,000; April, $530,502,000; May, $634,357,000. Total May 1, 1941 through May 31, 1942 $6,023,707,000.

All figures are rounded to nearest thousands, and will not necessarily add to totals.
For those that are interested in Treasury financing, the week beginning June 10 we are increasing our weekly bills from two hundred and fifty million to three hundred million, and this means that we pick up a hundred and fifty million dollars of new cash in that manner.

Starting at that time there will be one hundred and fifty coming due, is that it?

That is the idea, and the other, again for those who are interested in financing, we will do no regular Treasury financing until after the fifteenth of June, then sometime after that we will do our financing.

But there will be some in June?

Oh, yes, very definitely, and it will be sometime right after the fifteenth of June.

Can you give any estimate of how many weeks this bill will run?

No, no. That is all I have to offer.
Has anybody got any curiosities to satisfy?

Q. Mr. Secretary, I presume in your speech last night when you expressed the hope that the tax bill wouldn't be through too late, you were referring to that two billion dollars which you said on Tuesday--

A. That is right.

Q. That the committee was behind you on.

A. I mentioned the figure eight billion seven twice.

Q. With emphasis.

A. With emphasis.

Q. Mr. Secretary, is the Treasury planning to revise its excise taxes due to the curtailment of gasoline and soft drinks and tires and tubes and automobiles?

A. I don't know. I don't know. As I understand -- I think I am advised correctly, I think the committee has let that go over for the time being.

Q. I wondered if you were going to have any new recommendations when they did come back to it.
A. I really don't know.

Q. Mr. Secretary, there is some talk of proposals to get around incurring a double burden by the imposition of source collection by pay-as-you-go plan. Have you heard about any of those proposals?

A. I am not sure if I get what you mean.

Q. I am not sure, either.

A. Maybe we can help each other.

Q. The idea - I should never have gotten into this thing.

A. Do you want to skip it?

Q. No - that you start paying your income taxes out of current income as of 1943, for example, instead of 1942 income. You estimate your income in the year you are making adjustment and in that way through withholding tax at source of collection what comes out of the payroll is not in addition to the 1942 income tax, but is a part of the 1943 income tax.

I refer you to the Wall Street Journal of yesterday.
A. What is that?

Q. I refer you to the Wall Street Journal of yesterday if you don't follow me so far.

A. Was it good?

Q. Well--

A. Did you write it?

Well, look, I didn't write this, but here is something by Standard and Poor's on the subject that you are talking about. I give it to the press room for whatever it is worth, as it happens to pretty much express the Treasury's viewpoint. I am serious now. This whole thing you might like to read. I mean, it goes into that whole question that you are talking about on compulsory savings and doubling up and all the rest of that, because it agrees with the Treasury but it happens to be very well done. I don't know who did it.

Q. Mr. Secretary, going back--

A. But I think that is the thing you are talking about.

Q. Going back to the specific issue that he is raising, Mr. Paul told us all at one time
that he knew of no possible method by which you could avoid some doubling up.

He does now.

Let me in on it.

May I interview Mr. Morgenthau?

A.

And may I find out the last that Mr. Paul said. What was the last on Paul? I had better get Paul in here.

Q.

Will you, please.

A.

If he is here, I had better get him in.

Q.

There is an interesting statement here, Mr. Secretary, "The Treasury recognizes that we cannot have a withholding tax collected at the source; an increase in Social Security rates; and a compulsory savings plan. All three put together would take such a large bite out of everyone's pay check.

Is that the Treasury's view also?

A.

Let me see it.

Q.

I think you had better censor it.
This may be one on me. It says Morgenthau has opposed any compulsion on the sale of war bonds.

You have got me stumped now — no, this is all right, "The Treasury recognizes that we cannot have a withholding tax collected at the source; an increase in Social Security rates and a compulsory savings plan. All three put together would take such a large bite out of everyone's pay check as to practically guarantee—"

You favor all except the compulsory savings, sir?

Yes, we are on record on all of those, yes. But I mean that all three together would be too much, yes, that is the whole point.

At this time?

At this time. Yes, at this time.

Mr. Secretary, as to the size of the—
A. No - excuse me - there is nothing new in that, you see.

Q. As to the size of the bite--

A. Excuse me, I want to emphasize, "at this time."

Q. The importance of that statement seems to be the size of the bite, not so much the method, and you have the same size bite whether you sell War Bonds on a voluntary or compulsory method, do you not?

A. No, because any proposal that has been made so far on compulsory savings doesn't begin to equal the amount that we think we can get through the volunteer plan.

Q. Would you attempt the payroll plan?

A. No, we won't approach it.

Q. Will you say that again--

A. Any suggestion made or considered so far on the Hill on compulsory savings--

Q. On the Hill?
A. Well, we haven't made any. ... it doesn't begin to equal the amount that we feel confident we can get through the volunteer plan; and also, that if compulsory savings go in, I mean, the people have to recognize that the - on volunteer plan the sales will fall off to almost nothing.

Q. Mr. Secretary--

A. I mean, that is our position, and we feel that - that is the position on which we presented our case both to the President and to the committee, that on the volunteer plan as compared to the compulsory we feel that we can raise a lot more money.

Q. Mr. Secretary, I am not quarreling with that at all. As a matter of fact, I am not discussing the merits of compulsory versus
voluntary, but Mr. MacCormick raised the question, as raised by this publication, which you have endorsed, that the size of the bite on the consumer's pocketbook gets too big.

A. I said, that this expressed, that is the--

Q. And you are saying that - in effect you are saying you want a bigger bite because the voluntary system will produce more money.

A. Wait a minute. Say it again.

Q. This says that the proportion of a person's income which would be deducted through the
compulsory savings, through tax collection at the source, and through increased Social Security taxes, would be too heavy for the individual consumer. And you are saying that under the volunteer system you would sell more bonds, which would mean a greater contribution from income. Therefore, if you are indorsing this statement which was the original question, you are saying that that bite is not too big. As a matter of fact, you want it bigger.

You are right, and what I said would sound inconsistent, but the explanation that I have in mind, whether they had that or not, is that people seem to think, and we think erroneously, that you can go along on your volunteer plan and get what we propose to get, a billion a month, and then superimpose a compulsory and get what you would through compulsory and volunteer and add the two together. Let's say
compulsory savings, through tax collection at the source, and through increased Social Security taxes, would be too heavy for the individual consumer. And you are saying that under the volunteer system you would sell more bonds, which would mean a greater contribution from income. Therefore, if you are indorsing this statement which was the original question, you are saying that that bite is not too big. As a matter of fact, you want it bigger.

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that - the argument is that the compulsory savings school of thought, known around here as the Gregory school, could get five billion dollars, and that you would add the five to the twelve, and you would get seventeen; but we don't believe that is so, you see, and that the twelve billion dollars would practically disappear, and you might get five instead of getting twelve. I mean, I am using five as an example.

May we tackle it this way, Mr. Secretary, considering War Bond purchases by any method, plus Social Security taxes, plus tax collection at the source, what do you believe is the maximum amount of a person's income that ought to be withheld for all of these things put together? Well, I can't answer that. I will try to be helpful, and if it isn't - I can't give it to you in dollars, but I feel that if they go through with the Treasury program for increasing it eight billion seven, and then begin to collect
the taxes at the source on the first of January, that that, as the situation looks to us today -
we feel that in the lower incomes that is all
that the lower incomes could stand at this
time.

Plus the ten percent Bond sale.

How about the ten percent bond and about five
percent Social Security?

Well, including all of that - I mean, take
everything that we have recommended, which is
the eight billion seven, that only gets down
to a question of how we are going to collect;
and the only new method is that we begin to
collect at the source on the first of January,
rather than begin to collect it quarterly on the
fifteenth of March. Now, we here believe at this
time, and I may change my mind a week from now
or a month from now, but as of today we feel that
that is the maximum that the people in the
lower income brackets - and I am talking about
people from five thousand dollars down, that they can contribute at this time. And to do that, they will have to curtail expenses. I mean, they can't live as they are now and do it. They will have to curtail expenses. They will have to spend less. They will have to buy less. Now, does that answer--

Q. Are you taking into account--

A. Just one second, I want to make sure--

Q. I don't think it is much use your pursuing it.

A. All right. At least there is nothing new in what I said. I am being perfectly consistent. I think I am asking something that you are not ready to answer.

Q. Mr. Secretary, haven't we been attaching too much importance to this statement that the Treasury doesn't want withholding taxes, increase in Social Security, and compulsory savings, because if you did have compulsory savings that would take up the withholding tax, wouldn't it? I mean, you wouldn't have a withholding
tax and in addition to that compulsory savings?

A. That is what the people are recommending.

Q. Who recommends that?

A. Well, the school of thought who wants the compulsory savings.

Q. I haven't run into any of those proposals.

A. Well, I will introduce you to a couple of fellows.

Q. That is the standard proposal.

A. Sure, I will - have you gone over to the Director of the Budget, to some of his people?

Q. No. If what they say over at the Bureau of the Budget - yes, I have been over there - that if you are going to have enforced savings--

A. I would love to know what they say.

Q. You would start out by having your enforced savings the amount of the withholding tax, which is now being proposed. In other words, you would have the ten percent.

A. No, no.

Q. That is what the people I talked to said.

A. That is why I thought this article was good,
because I think it is the extra thing that they are asking for on top of everything else, plus the loss that we would get in volunteer War Bond sales; that the net would be a much heavier burden on the people of five thousand and down, and a net - and less sales of the Treasury, and plus this other thing they pointed out, that we are recommending that we do it through the tax method, rather than borrow it, then have to pay it back again, which is compulsory savings. We think the net amount - we would be better off, less harsh on the people of lower incomes.

But, as I say, this is what we think today. We are studying this thing very hard; we are asking every other agency in town that has any ideas to contribute. If at any time I think I am wrong, I will be the first to say so publicly through you gentlemen.

Mr. Secretary, do you still favor the increase in Social Security tax payments that were proposed originally earlier in the year?

A. Yes.
Q. That would also somewhat increase the burden on the people in the lower incomes?

A. Yes, we have got that all in mind, and we think if all of that - you have got to have the Social Security in order to get the eight billion seven. If you get all of that, we think that is about all these people can stand.

Q. Mr. Secretary, if in this election Congress should fail by two or three billion of voting the amount that you have asked for, would you then be in favor of a supplemental tax measure to get the additional funds through compulsory savings?

A. If politics is going to rear its ugly head in this conference, I will shy away from it.

Q. Well, we can forget about the election, just say if Congress doesn't pass it--

A. Look, I have explained to you everything that is in my mind as of today. As the situation changes, prices, whatever the situation may be, business, and as we study the thing, if there is something that I think should change in
my recommendation, I will say so, but as of now you have got the program.

Q. Can we change the subject, Mr. Secretary?

A. Sure.

In these triangular discussions between the United States, Great Britain, and Russia, is there any discussion for possibly more financial help to the Soviets?

A. Well, if there is, I haven't heard of it.

I mean, if there is anything, I haven't heard of it. O.K.

Q. Thank you, Mr. Secretary.
Well, we told you people we are going to do a financing on Thursday. We will have something for you Wednesday afternoon.

That closes the books for the fiscal year, doesn't it, the open-market operations?

Except for the bills.

Mr. Secretary, are you going to testify on the Reserve Act proposals, changes?

I don't think so. It has all been cleared here with us and has our approval, backing. I think Mr. Eccles can do an adequate job, do it better than I can. I don't think so; in fact, if they ask for the Treasury I would let Mr. Bell go up.

Mr. Secretary, Mr. Doughton says that he has instructed the staffs of the joint committee and the Treasury to go over the whole tax field and see if they can reach any kind of an agreement on some proposals to raise about one billion
dollars more than the committee has already decided to raise.

A.

How many?

Q.

One billion, without a sales tax, if possible, or, to quote him, with a sales tax which is agreeable to Treasury, whatever that is. If some sort of an agreement like that to raise one billion more could be worked out, would that be satisfactory to you?

A.

I haven't seen Mr. Paul today, or his men, so I don't know what has happened up there.

Q.

I understand what was released was confidential.

A.

Released?

Q.

On those excise taxes.

(Discussion off the record)

A.

Well, the last time I discussed it with Ways and Means I had to take my press conference minutes up there with me. This is off the record.
(Discussion off the record)

After I read from them and let them read them, you see - this is just in the family here - Mr. Boehne said, "Mr. Chairman, I just want to say I didn’t have a chance to tell you earlier, but the newspaper man who told me that Mr. Morgenthau had criticized the Ways and Means Committee now tells me that it wasn’t so, and I didn’t have a chance to tell you that I was misinformed. I apologize to the chairman." So I thought it was very - after I read from my press notes he suddenly decided that wasn’t as he said it was.

Q. Did he mean to say that the newspaper misinformed him?

A. Am I starting something now?

Q. I am just curious. Which paper was he referring to, did he say?

He wasn’t referring to anything published.

A. No, no, he was referring to a correspondent.

Q. Mr. Secretary, either on or off the record, if you could get a tax bill which would be
one billion dollars short--

A.

Is that important, what I said?

Q.

No, I was wondering whether we misinformed the committee or not.

A.

No, no. What Boehne told the committee was when you fellows came down here and asked was I criticizing the committee, I was supposed to say at my press conference that in my radio talk, "Yes, I was criticizing the committee." Then according to Boehne at four-thirty in the afternoon after they had had me up there for about an hour, he said, "Now, Mr. Chairman, I should have told you this earlier but I didn't have time to. The newspaper man that gave me that information says he was misinformed and Mr. Morgenthau did not criticize us." So that was that, and none of you men are on the - but I will back the press.

Q.

Mr. Secretary, may I start this question again?
Sure, but he raised it. What I am talking about here is in the family, and I don't expect to take these notes up on the Hill. Go ahead.

(Resume discussion on the record)

Q.
If you can get a tax bill which would raise about one billion dollars more than the committee has now decided to raise but which would be one billion dollars short of the Treasury goal and which did not have a sales tax, would that be satisfactory to you?

Do you want me to tell you another story?

On the record.

A.
I am not going to answer that because I am not prepared to answer your question. I am serious. I am not prepared, and I don't want to be quoted on that, either. I am not prepared to answer it.

Q.
Well, are you prepared, sir, to say anything
on the general proposition of your position about a sales tax?

A. No.

Q. Do you still say that you stand on your earlier stand of March 3, 1942?

A. On the record, I haven’t changed my position that taking the President’s budget message, plus the additional recommendation of lowering the exemptions, brings what the Administration would like to have, eight billion seven. That is what the Administration would like to have, the President’s budget message plus the amount we would get through lowering the exemptions, that is the Administration’s position. Nothing has happened so far which would make me want to change my position.

Q. Now, for background, there are some ifs and buts, though, aren’t there?

A. Always.

Q. Well, the reason I say that, Mr. Secretary, is that if we were to go out of this conference and say that the Treasury’s position is unchanged, it would kind of close the door to some deals
that seem to be in the making.

A. Well, frankly, I am not dealing with anybody.

Q. Well, Mr. Paul is.

A. No, he has no authority to deal. He isn't making any - he has no authority.

Q. Not to sign and seal it, but might be negotiating.

A. No, he has no authority to negotiate. As late as Saturday he asked me. He has no authority.

Q. On that question of a sales tax, you mean?

A. No, he asked me; he knew this thing was coming, and did he have any authority, would I please think about it. I told him that until further notice it was eight, seven, talking for the Administration.

Q. Eight, seven without a sales tax?

A. A sales tax was never considered in the eight, seven. In other words, the position, talking for the Administration on this thing - I haven't been advised by the President that there is any change in the position that we want eight billion seven just the way we asked. And when you asked me any "ifs and buts", it is Mr. Doughton's privilege to go across the street and see the President.
Q. Well, Mr. Secretary--
A. That is his privilege.
Q. ... that we are called on to gauge--
A. You don't have anything like this at Fort Knox, you just shoot when you see the whites of their eyes.
Q. We have the first sergeant - all these knotty problems - make a basis of fair judgment and wide experience - rather a very sympathetic understanding to let the men do what they want. And if they don't you shoot them, don't you?
A. Mr. Secretary, there are two parts to your program. You have made it plain that you want eight billion seven, but at the same time you have heretofore made it plain that you don't want any part of that eight, seven, to come from the sales tax. The committee has made it very well known that the only way that they feel they can give you eight, seven, is to make up part of it from the sales tax, and the question that we are asking and the committee is asking, for that matter, is whether it is agreeable to you for them to make up the
rest of the eight, seven out of a sales tax. 
As the committee will inform you, and as I have informed them, the writing of the law is their responsibility. They invite me up there to make recommendations. I have accepted their invitation and have made recommendations, and as of eighteen minutes past four of today, the fifteenth, nothing has happened to make me change my recommendations. What they do with them, I don't know. That is their responsibility, but nothing has happened, and nobody who goes up for the Treasury on the Hill has had any authority to open any negotiations to change the Treasury's recommendations. As I say, and of course, Mr. Doughton — they are writing the bill. They invite me to come up. All we can do is say this is what the Treasury recommends. They can throw it in the waste paper basket or anything else, that is their privilege.

Mr. Secretary, can you answer this question?

A. I think that is pretty clear.

Q. Which would you rather have, the eight, seven—
A. No, I am not going to answer the question, so save your breath.

Q. You are in a deadlock, in other words.

A. No, no, a different word, I am just not in a deadlock. I happen to be consistent, that is all.

Q. Well, I know, but irrespective of your position, you are still in a deadlock, Mr. Secretary, with the committee.

A. No, no.

Q. Well, here it is, March 3, April 3, May 3, June 3; four months have elapsed and you are not any nearer a tax bill now than you were on the day that you appeared.

A. You are wrong on that.

Q. Except for the little technicalities which they straightened out--

A. I stand within two weeks of having a tax bill.

Q. What?

A. Within two weeks.

Q. Within two weeks of--

A. Of having a tax bill.
C. Having a tax bill where?

A. Through the House. That is what I have been informed.

Q. Suppose they voted - may I put it--

A. That is what I am informed, we will have a tax bill within two weeks. I suppose what they are aiming for is the Fourth of July. Is that two weeks, yes, so I don't agree with you at all. Is that hot stuff?

Q. Well, no, it isn't hot stuff, it is surprising.

May I put it this way? Suppose the committee voted a sales tax to make up the eight billion seven, the two billion that you said was--

A. Let me say - clever as you are, clever as you are, I am not going to help you out. What I am going to do about a sales tax if the committee votes what they recommend or if they ask me about it, I am not going to help you out.

But you did set a precedent on the question of reduction of exemptions. You didn't want it, but you took it, I understand.

A. I took the initiative on that. I wrote them a letter.
Q. As far as the committee, you took the initiative?
A. Yes, but on this question, will we or will we not, on the theory that we have the right to sit back and say we will or we won't, which I claim we haven't got here - I mean, I am not going to help you out on that.

Q. It is all up to the President?
A. No, I won't say that. Again, if you are in the Army - I am in the Army, I have got my marching orders, and that is to present a certain kind of a tax bill to the committee, which I have done. Now, my order is stay as they are. Why should I try to guess what the C. in C. might do about it?

Q. Yes, but the situation is fluid, Mr. Secretary. Would it be wrong to place an interpretation on your statement that you have been informed that there will be a tax bill in two weeks? Would it be wrong to interpret that as meaning perhaps the Treasury will not insist on raising the full amount of the money without a sales tax, because--
A. No.

Q. ... because if they were to go into the sales tax matter now it would take a good long time to work it out?

A. No.

Q. That would be incorrect?

A. I just repeat myself, and knowing what you want and knowing what I don't want to tell you, I don't think I am going to stumble, and that simply is I have got - we have got a program. We were asked to present it; before we go on the Hill, the President of the United States passes on it so it becomes an Administration program, and we go up there and present this program, which, if Congress should act upon it would produce eight billion seven. Now, as far as the Treasury is concerned, nothing has happened to make us change our mind. One, we want eight billion seven, and we think the recommendation that we made is the best way to get it. O.K.? Thank you.
A. Is everybody happy? Wonderful.
Q. Not quite happy, Mr. Secretary.
A. I know, but I don't want you to be--
Q. The Committee has asked you for an alternative suggestion.
A. I don't want you to be happy because then I would have slipped.
Q. The committee has asked for an alternative suggestion, which was within your power to give.
A. But I can sit here, too.
Q. Mr. Secretary, may I try once more, or would you rather I would put this one off until the next press conference?
A. No, no. I don't want you to have anything wrangling in here - you know, to give you indigestion.
Q. Could one assume that the Treasury might be disposed to take the bill without the eight point seven and without a sales tax, for two reasons; one, the finance committee would be more receptive to raising the eight point seven without a sales tax, and, two, the con-
Consideration of the sales tax at this time would delay the tax bill possibly for a long time?

A. When you say finance, for my benefit, you mean the Senate?
Q. Yes.
A. It is a very good question and I congratulate you, but I am not going to answer you.
Q. About this point the first sergeant would tell the private, "Well, go see the chaplain."
A. And then say a prayer.
A. All right, having entirely settled that to everybody's satisfaction, what else?
Q. Are you considering alternative measures from that?
A. On what?
Q. On the committee's suggestion for offering suggestions.
A. No. I am just sitting tight and not thinking.
Q. Well, deadlock isn't the proper word.
A. I am not thinking and I am not sweating.
Q. How do you pronounce that French word, i-m-p-a-s-s-e?
A. No, I am not - just get it, I am sitting and I am not sweating, and I haven't arrived at an impasse either.

Q. Thank you, Mr. Secretary.
A. I don't know whether I have one more copy of this or not, but I have a little statement I would like to give you about Mr. Fox, who died in Chungking. I don't know whether all of you are old enough to remember Mr. Henry M. Blackmer of the famous Teapot Dome oil scandal, but Mr. Foley and his Foreign Funds Control have found ten million dollars belonging to this gentleman. What?

Q.

A. Yes, we have got a release on this thing.

Q. Ten million?

A. Ten million.

Q. Is he a foreigner?

A. He is an American citizen, and he fled to Europe. As far as we know - we think he is in Switzerland.

Q. Didn't they try to get him back from Europe?
A. Oh, yes, the newspapers will all have a big file on this gentleman. After reading it, if you want to ask any questions Mr. Foley is here to answer any.

Q. Were the funds here that have been impounded?
A. Yes, they are here, and they are impounded.

Q. Mr. Secretary, can Ed tell us just exactly where he fitted into the Teapot Dome case?

Mr. Foley: Well, I am not as familiar with the Teapot Dome thing as I should be, but I think if you check your files you will find that Blackmer was the connecting link between the securities and Mr. Fall, the former Secretary of Interior, and he was wanted as a material witness in the prosecution of Fall. I think he fled the country to avoid appearing at the trial. That was back sometime around 1921. He has been out of the United States ever since.

Q. Was he the guy that carried the little black bag?
MR. FOLEY: I don't know whether he actually carried the bag or not.

Q. I mean, supposedly he was the pay-off man.

MR. FOLEY: He was the missing link, I think, in the prosecution of Fall.

H.M. JR: Wasn't he connected with the Standard Oil of Indiana?

MR. FOLEY: He was connected with Stewart, who was president of the Standard of Indiana at that time. He owns some small Indiana oil properties out in the middle west.

Q. What would you do now? Have you seized these funds?

A. They will be seized.

MR. FOLEY: They have been frozen.

Q. Has he been accused of income tax violation? Has he paid his taxes on this fund, the increment, the earnings on those assets?

MR. FOLEY: Well, he paid in 1932 approximately three million six hundred thousand dollars, which was the amount of the Government's tax
claim at that time. It will be necessary now to review the whole situation in the light of these assets that have been discovered here.

Q. In other words, you might try to take some of these satisfied claims against him?

MR. FOLEY: We first have to determine whether there are claims on the part of the Bureau or on the part of other departments or agencies of the Government, and then in the light of those facts we can decide what action is appropriate for us to take.

Q. He has paid no taxes since 1932?

MR. FOLEY: I think that he has filed a return and he has been paying taxes. It is significant that most of this ten million dollars has been invested in tax-exempt securities.

H.M. JR: But you gave this information, didn't you, last week to the Department of Justice?

MR. FOLEY: We have informed the Department of Interior and the Department of Justice of this
information.

H.M. JR: Interior and Justice?

MR. FOLEY: That is right, as well as the Bureau.

Q. Mr. Secretary, we are glad to get this story, but does this give us the opportunity and right to ask you about a lot of other guys we are curious about?

A. Try it; I don't know. I don't know what you have in mind.

Q. Well, I don't know. This is the first time that you have been willing to talk about so-called trusteed accounts that you look into for one reason or another.

(Discussion off the record)
Well, very much off the record, you have the President to thank for the story. He was so much interested in it himself that he wanted me to break it. He was so much interested in it himself.

(Resumed discussion on the record.)

Q. What Perlmeter, I believe, has brought to mind is this, there are a lot of expatriate Americans who have funds here living in southern France, Monaco, and other resorts. Now, you have no idea how this money is being spent over there. They may be enemies of the United States in view of the fact we are at war. They may be sponsoring something there, and I wonder whether you might begin an investigation of all these trustee accounts of American citizens who are residents of countries abroad.

A. Well, what we do is, all of these accounts that we have which are frozen, we watch them very, very closely, and we watch them particularly
to make sure that they are not being used by the enemy.

Q. Is that on the record, that the President--

A. No, no, what I said - I said that was very much off the record, but you asked - you seemed to be surprised at the circumstances, so I thought--

Q. Well, I had nothing more mysterious in mind there--

A. No, that was off the record. I never quote him.

Q. Heretofore we have never been able to get information about individual funds, whether income tax, investigations, or bank accounts, or anything else.

A. Well, maybe from now on we will be a little more liberal.

Q. It is all right with me.

May I ask you why you took so long to impound this chap's funds? After all, from December to June is five or six months.

A. What is the answer on that?
MR. FOLEY: Well, after all, the TFR-300, I think seven hundred fifty thousand of them, Nick, and we have to tabulate all of that information and take it off and classify it, and it is just the mechanical work of getting that information to a point where we can utilize it.

Q. May I ask you who filed this, Blackmer, himself, TFR-300 - the trustee's bank?

MR. FOLEY: It was filed, I think, by a British bank on behalf of Blackmer.

H.M. JR: O.K. Two months ago I told you people what we would need in the way of money for the next two months. Now, for July and August through regular Treasury financing, we will need somewhere between three and three quarters billion and four and a half during July and August. Three and three-quarters - three billion, seven hundred fifty million.

Q. To?

A. To four and a half billion.
Q. That is all new money, Mr. Secretary?  
A. All new money.  
Q. That is each or two together?  
A. No, that would run for the two-months' period, a sixth of a year, July and August.  
Q. Can we assume that the customary type of security which as been used in June and July will be again employed, that is--  
A. Well, I mean, I have nothing up my sleeve, there isn't much else new that we could use, but I didn't want to say that if somebody has some bright idea that we won't consider it, but it will run along about approximately the same line.  
Q. The reason I asked you is because complaints have been made with the New York banks, and other big banks would like to know if the Treasury plans--  
A. Sure, they always have, but they will know in plenty of time.  
Q. How much money was there in the two preceding months, when you made that other statement?
Was that three billion?

A. No, I said there would be about four billion. That was about four - I don't know just how near we hit it.

MR. SCHWARZ: I think we ran a little bit over.

H.M.JR: When I made a similar announcement I said we would need more.

MR. SCHWARZ: A little over.

Q. How about bills, the hundred million series, are they going to continue?

H.M.JR: For the time being.

Q. Going back to Blackmer--

A. Yes, it is a good story.

Q. Yes.

A. I am sorry I haven't got more on him.

Q. What year did he go to Europe, '27?

MR. FOLEY: I think it was earlier than that. I think he went to Europe actually in 1921, when he was indicted in Colorado.

Q. As I recall, Fall was convicted and went to prison for accepting a bribe.

MR. SCHWARZ: It might be of interest, Mr. Secretary, that our secret service was the organization that
located him in Paris.

H.M. JR: Originally?

MR. SCHWARZ: Yes, that is right. The Government wasn't able to extradite him.

Q. Don't we have an extradition treaty with France?

H.M. JR: Yes, but as I remember, they never could get him - let us have this matter.

MR. FOLEY: That is right. The matter was taken up with the French Chamber of Deputies, and I think they found that there was no reason why they should return him to the United States.

Q. He must have had some funds over there, too.

Q. He has probably got Reich bond notes now.

H.M. JR: All right, anything else? Any other worries?

Q. Is there anything about the taxes?

A. Nothing I can talk about.

Q. Are you feeling better now that they have voted the sales tax down?

Q. Are you in favor of kicking around up there the idea of tax on bank checks? You weren't before, as I understood.
A. I was not.

Q. At one time you were opposed to the Reserve Board--

A. Oh, I don't think I will get in on that. That would open up a lot of other ones. In fact, I haven't talked to Mr. Paul today. I am not up on it. I haven't talked to him. I think you men know more about it than I do.

Q. All right. Thank you, Mr. Secretary.
FOR IMMEDIATE RELEASE,
Monday, June 22, 1942.

Secretary Morgenthau today announced that the Foreign Funds Control had uncovered assets in various New York banks amounting to over $10 million in securities and cash accounts, all owned by Henry M. Blackmer.

Henry M. Blackmer fled from the United States to France when the Government initiated investigation of the Teapot Dome oil fraud in which he was wanted as a principal witness.

During the next few years his passport was revoked and he was indicted on various counts including income tax evasion and perjury in connection with his income tax returns, and a warrant was issued for his arrest. Numerous attempts to extradite him from France were unsuccessful and at various times between 1927 and 1932 substantial fines for contempt of court were levied against his American assets. Indictments against Blackmer are still outstanding and he is regarded as a fugitive from justice. Blackmer is now believed to be in Switzerland.

Included in the assets uncovered by the Foreign Funds Control are $3,865,000 United States of America Treasury Notes Series A due June 15, 1943, $3,250,000 United States of America Treasury Notes Series B due March 15, 1944, and several million dollars in municipal issues. Blackmer was not holding his assets in his own name but had such assets concealed in "numbered" accounts and in the accounts of foreign banks.

All of these millions of dollars of assets owned by Blackmer have been effectively frozen by the Foreign Funds Control and the Government agencies having a possible claim against Blackmer have been advised of the existence of such assets in New York.
I have got nothing to offer.

We have some questions to ask you.

Good

Sometime ago you said that Congress would be remiss if they didn't provide the extra two billion dollars which you asked for on taxes. What do you think they have done now; if they were remiss then, what do you think they are now?

I have got no comment.

May we quote you the same, that half a loaf is better than none?

I thought you and I were friends. (Laughter)

Seriously, Mr. Secretary, that two billion shortage which you spoke of then apparently has grown to the point now where it is three billion three hundred million is it not?

Something like Topsy. No, I don't think, gentlemen, that I will have anything to say about the tax bill. I don't think so,
until I appear before the Finance Committee.

Q. Will you tell us anything of the conference you had across the street yesterday?

A. No. Didn't Mr. Doughton say something?

Q. Very little. He just looked mad.

A. Looked what?

Q. Mad.

A. Nothing happened to make him mad, that I can see.

Q. Did anything happen to make you mad?

A. Nothing happened to make me mad - no, very pleasant meeting, lots of laughing, lots of kidding. It was very pleasant.

Q. Mr. Secretary, when you said you didn't expect to say anything until you appeared before the Senate Committee--

A. I said I didn't think I was. I am not shutting the door, but I am just--

Q. Well, is that due to some hope of yours that perhaps you will fare better in the
Senate than you did in the House?

A. No, I don't--this thing, this is another milestone. They will now go to work and write the bill, then, as I understand it, they go into executive session and read the bill. So I mean, in the writing and the reading, executive session, discussion on the floor, a lot of things might happen. So as an appointed member of the Executive end of the Government I don't think it is up to me to make any comments at this stage.

Q. Well, could you make some comment, from your viewpoint, that is--

A. I can't help you out at all.

Q. This failure on revenue does complicate your financing problem. You have had certain estimates as to how much you wanted to borrow, keep a certain ratio; you have the question of inflation in your mind, unloading the banks with securities--

A. Unloading?
Q. No, loading the banks with securities, which you might — that three billion may not—
A. I am not going to help you at all. I mean, you will have to write your own stories. I am not going to help you out a bit.
Q. Perhaps you could help us out on this from the Treasury's viewpoint. The part of the tax bill that represents corporation post-war credits, namely, eight hundred sixty-seven billion dollars, is that viewed by the Treasury as revenue, or, as we might call it, a forced loan from industry?
A. It certainly isn't revenue.
Q. It certainly isn't? That would bring the tax bill, then, down to five billion dollars.
A. I don't see how you can call it revenue.
Q. Mr. Secretary, didn't you call it revenue in your original March presentation?
A. Did I?
Q. I think you did.
A. Well, give Chick a chance to ask Roy Blough.
Q. I can give you the answer to that, sir.
A. What is it?
Q. Well, your corporation taxes then call for post-war credits which would accumulate about four hundred million a year, as opposed to the approximately nine hundred million a year they adopted.
A. What did we call it?
Q. You included that in the revenue.
Q. In the eight, seven.
A. Did I?

MR. SCHWARZ: There were conditions surrounding the refunds that we recommended.
Q. There still are.

H.M. JR: Check it with Roy Blough so we have it accurate, anyway.

MR. SCHWARZ: I will pass it on.

H.M. JR: Will you give it to him fast? In the
meantime, hold it.

Q. The reason that question arises, Mr. Secretary, is we have just a problem of saying whether this is a six billion dollar bill or a six and a half or a five and a half billion dollar bill.

A. Blough could answer that. I mean, I haven't had a chance to read it. Yesterday, I mean, they were still working on those provisions, and Paul told me he would send it to me when it was written. Now, up to last night I didn't get how the thing is written on the refunds. I mean, he didn't have it yesterday morning. It was still being written, so I really don't know. Blough ought to know now.

Q. Would you make any comment on the fact that they threw out the joint tax returns, losing four hundred and twenty million dollars?

A. Well, there is another big loophole which I would have liked to have seen closed, and still do.
Q. Mr. Secretary, at this point could you say whether you would prefer a short bill or would you prefer a sales tax, if necessary, to make up the difference?

A. No, I won't. I went over that the last time I saw you gentlemen. I was satisfied with the results of that conference.

Q. You are speaking of the White House now?

A. No, this conference, the last time I saw you men. I mean, I was satisfied. You fellows worked hard on me.

Q. I wasn't here.

A. Well, the other boys did a good job.

Q. Was it the feminine influence that led to the defeat of the joint tax return? There are all sorts of rumors that Mrs. Roosevelt is opposed to it.

A. Opposed it?

Q. Opposed the joint tax returns.

A. Oh, no, that I happen to know. I mean, both through her column and through her mail, that
she has enthusiastically supported it.

Q. There is nothing to it?

A. No, I happen to know because - I mean, this is just for background. She is getting a terrific mail on it, technical, and we help her, and all of her mail is in support of the Treasury program, very, very definitely, because there isn't a day that Mrs. Klotz doesn't get a telephone call from Miss Thompson about some question. All of her support, from Mrs. Roosevelt, is entirely back of the Treasury program. That I can unqualifiedly say.

Q. Mr. Secretary, is there anything new on financing you can add to your last statement?

A. No, I mean, I had something to offer you people last Monday. I have nothing today. There naturally won't be anything more this month, but right after the Fourth of July we will go to work on the next financing.

Q. Can you say anything about the War Bond
sales, Mr. Secretary?

A. No, except they are not as much as I had hoped they would be.

Q. Do you still hope to make the June quota?

A. What is the date?

Q. Today is the 25th.

A. Well, I doubt whether we make the June quota. I doubt it.

Q. You still think that the voluntary plan should be tried out?

A. Yes, I still think that.

Q. Do you expect to make the one billion when that comes along?

A. I don't know. There have been a lot of things which have retarded the sale. Of course the most important one this month has been income tax; but also War Bond sales don't go so well with all of this optimistic news which was coming out of this town up to Sunday.
Q. You should have sold tremendous amounts this week.

A. We have; that is the answer. I mean, now that the thing looks serious it is helping us. But with all of this stuff that is coming out of this town, I mean, about statements and everything else, and people just wouldn't get made about the thing. I have gotten reports this week that the thing will be more serious - the people feel more serious about the war, and it helps us here. It is the thing that has been true in England right straight along. I mean, after a town was bombed the sales immediately went up. Alaska and Hawaii leads the whole country in their sales. I am just saying there are reasons, but, after all, my faith in this voluntary is the pay-roll deduction plan, and that is steadily growing, the number of companies and employees who are
exposed to that plan and in the amount of money per employee. That is steadily growing.

Q. 
Mr. Secretary, did you understand that Mr. Wilcox's question was about July's billion dollar quota?

A. 
Well, there is nothing - we are still - the quota is still a billion dollars.

Q. 
Sir, in the long-range view, does the Treasury not anticipate that after January 1, 1943, with a ten-percent deduction for tax collection at the source--

A. 
Five percent - excuse me, it is five percent.

Q. 
Well, it is ten, half of which is to be allotted to the--

A. 
Five now. That is not news, is it?

Q. 
Yes, sir.

Q. 
I thought it was ten.

Q. 
He is speaking of the tax withholding.

A. 
That is what I am talking about.

Q. 
It was ten percent.
Q. Are you talking about effective rate of five or actual rate?
A. Maybe I am telling some secrets, but the way it is now, it is going to be five percent. As I understand the thing, it is to be five percent withheld beginning the first of January applicable on '43 tax against the March 15, '44 tax date.
Q. But also five percent against the next year?
A. You mean this year?
Q. This year.
A. I understand that is out the window.
Q. When did that happen?
A. I don't know. Maybe I am--
Q. Could we speak to Randolph Paul?
A. He isn't here. You can check with Blough. That is what Blough and Tarleau told me yesterday.
Q. That is an entirely new departure from anything we have heard.
A. I would be glad to have you check me. That is what Blough and Tarleau told me.

Q. Could you get Blough on the phone and check this?

MR. SCHWARZ: Leave that as another matter to be checked.

H.M. JR: See Blough about that. The way it was explained to me is that it will be five percent withheld beginning with the first of January on your 1943 earnings, and that will be accumulated against your March 15, '44 tax.

Q. No withholding tax at all applicable to the 1942 tax?

A. That is right.

Q. And in '44 does it go up to ten percent, sir, do you know?

A. They didn't cross that bridge. Then I made the suggestion if they were going to do that they could make it optional. If a person wants to pay his tax monthly
beginning with next year they can pay it monthly, if they want to, instead of quarterly.

Q. And then avoid the withholding?

A. No, you would have your five percent withholding on your '43 earnings only, but if you wanted to pay your 1942 tax, say, on February 1st, you could do that each month after that, monthly - I mean, if you wanted to pay it monthly, in place of the five percent which they had suggested.

Q. You would have a choice, then, is that it?

Q. You suggested it and it was it adopted?

A. No, I only suggested yesterday to Mr. Doughton while we were waiting to see the President. He seemed to like it.

Q. What?

A. Mr. Doughton seemed to like it. He said that you could do it either February 1 or you could start March 15, '43, then after
that pay it monthly, at your own option.

Q. Wouldn't it be a matter of Treasury regulation, sir?

A. No, we would have to get legislation.

Q. And you wouldn't have to have your employer making the arrangement? I mean, you wouldn't have to ask your employer to make the deduction? You might do it yourself?

A. What, the monthly?

Q. Yes.

A. That would be purely optional with you.

If you figure it is more convenient to do it monthly you could do that, on your own decision. I would much rather pay it monthly.

Q. I would, too.

A. And I think it would be a great convenience.

Sitting there I made the suggestion to Doughton, and he said he liked it. He said, "We haven't got time to write it in. Make
it when it goes to the Senate." But the five percent thing, it is only to be on the next year.

Q. May I check back just to make sure? As you understand it, there is to be withheld at the source only five percent?

A. That is right.

Q. Of a person's taxable net income?

A. Taxable net income.

Q. And that is to apply on the 1943 tax payable in 1944?

A. That is right.

Q. But also if a person wants to he can pay - it is your idea that he should be allowed to pay his 1942 tax monthly?

A. Monthly.

Q. But if he doesn't want to, then it doesn't make any difference?

A. That is right.

Q. Thank you.
A. But you had better go to see Blough. I know what I am saying is what Blough and Tarleau told me, but I would much rather have you check with Blough. He can tell you what the status is; it may have been kicked out. But that is what it was yesterday noon. It is awfully hard to keep up with this thing.

Q. You are telling us. (Laughter)

Q. You have the benefit of your advisers.

A. When I can see them; but I didn't realize I was spilling anything.

Q. You are very helpful today.

A. I didn't mean to be. Well, anyway, Roy is around.

Q. You will give Roy Blough clearance to get that straightened up?

A. I will tell Roy.

(The Secretary held a telephone conversation with Mr. Blough.)

A. It is in the drafting stage.

Q. That is in the bag. Thank you, Mr. Secretary.
I want to do a little boasting on what the Treasury Department has done. I don't know whether you want me to read it or not or whether you want to read it yourselves. (Paper distributed) Incidentally, the man that put it across was Eddie Bartelt. He deserves a lot of credit for it. And the other thing, I wanted to talk about the story about McCarty in The News, which I think is very unfair, both to Mr. McCarty - and entirely uncalled for.

Here are the facts. Mr. Thompson, who is my administrative assistant - I will give you a copy of this - wrote this letter to the Secretary of the Navy on April 29:

"My dear Mr. Secretary:

"It is our understanding that the Navy Department now has under consideration a commission for Milburn McCarty, Jr. and that
if the commission is granted he will be assigned to Admiral Conard's Division in the Office of the Secretary of the Navy.

"At the request of the Secretary I am writing to ask if you will have the granting of this commission indefinitely postponed.

"As you know, with the approval of the President, we recently inaugurated a greatly intensified campaign for the voluntary sale of War Savings Bonds and Stamps. Mr. McCarty, as Chief of the Press Section of the War Savings Staff, is directing an important part of the campaign. His leaving at this time would seriously hinder our War Bond activities.

"Under these circumstances we believe it is necessary for Mr. McCarty to remain in the service of the Treasury Department. We hope you will agree to this. We hope, too, that this action will not reflect in
any way upon Mr. McCarty's record with the Navy Department. He acted in good faith in applying for a commission. Changed circumstances, of recent development, are responsible for our present request.

"We will appreciate a reply as soon as possible."

And then a letter from Mr. Knox, and I have his permission to give it out.

"My dear Mr. Thompson:

"This will acknowledge receipt of your letter of April 29, 1942, relative to Mr. Milburn McCarty, Jr., who has applied for a commission in the United States Naval Reserve.

"As requested, action on Mr. McCarty's application has been indefinitely postponed. This will in no way prejudice any future application which Mr. McCarty might submit nor will it reflect on his record with the Navy Department."
"Assuring you of the continued cooperation of this Department, I am."

Now, the point is Mr. McCarty is in Class 1-A. Nobody in the Treasury Department has asked for a deferment. He could have accepted this commission, the way a lot of other people have in this town, and be sitting over there with this commission; but we here felt that he was doing important work. By giving up this chance for a commission, he exposes himself to the draft, and he may be called tomorrow and go in as all the other draftees do. Now, he was sufficiently patriotic to be willing to stay here and take his chances with all the other people of his age and give up the chance of a commission. Now, why try to run a boy like that down, when I think what he has done is entirely honorable. If anybody has got any questions I would be glad to answer them.
Q.

Yes, Mr. Morgenthau, I have questions. I talked with Mr. McCarty. I am from the Daily News. I talked with Mr. Kuhn, and I attempted to get the complete information. Mr. McCarty was not frank about his draft status, as you have been now, apparently, and the story which was given to us, as we printed it, was exactly as we printed; he did not apply for a commission, but a commission was not only offered to him but was practically pressed upon him. He said that he didn't even know his draft status. I happened to have followed the draft right straight through, and I know after a person registered October 1940 they do know the draft status at this time. I got it from the New York draft board, the New York World Telegram, and having been given two sets of information, one from Mr. Kuhn and one from Mr. McCarty, and the third by the draft board, I
personally think your drastic statements are just about as uncalled for as what you say we have said about Mr. McCarty. If Mr. McCarty had told us the exact status, as you have done, there would have been nothing printed.

A. Well, I am sorry, I don't know your name.

Q. Strayer.

A. Miss Strayer, what I told you I have known from the beginning. I am sorry you didn't have a chance to talk to me.

Q. I talked to the person to whom Mr. McCarty sent me.

A. Well, the person is here. He can talk for himself. I asked him to be here, and I take full responsibility for any deferments, or any lack of deferments, in the Treasury.

When this case was brought to my attention, the fact that Mr. McCarty was in 1-A and we were simply asking Mr. Knox to postpone
giving him a commission in a position where he would be doing exactly the same work as he was doing, and the fact that the boy was willing to take that chance, I thought it was entirely to his credit. He didn't ask me, or I will put it this way - I wasn't asked to get him a deferment, and if I had been asked I wouldn't have done anything about it. So, as I say, I don't know what Mr. Kuhn told you or what Mr. McCarty told you, but I am telling you—

If you got our story, you know exactly what they told us because that is exactly what they told us.

MR. KUHN: No, Miss Strayer, I am sorry. It seems that this wasn't a draft deferment matter, and I was very careful to say that it wasn't a draft deferment matter.

Q. And we so quoted you as saying it was not, but also quoted the New York draft board, as now up for occupational deferment. The
fact that Mr. McCarty also definitely declined to make clear his draft status and the fact that the thing was being talked about very largely, whether you people are aware of that fact or not, and the fact that the stories did not hitch together, we feel, frankly - as a newspaper, we feel that the proper enforcement of the draft is more important than the sale of War Savings stamps and bonds; and we are not the best critics - certainly not enough critics of Mr. McCarty's work, because we are not familiar with it, but certainly the matter has been more a matter of organization for something that is being given to the Treasury Department rather than something like Mr. McCarty's previous capacities - the essentiality of a man of that type, of course, is open to question. It certainly is open to question by the people who called the matter to our attention, who never even heard of Mr. McCarty.
I know the person who sent me a letter - she sent me a copy of an anonymous letter which she sent to Senator Tydings, so I got the letter, and when I received the anonymous letter she sent to Senator Tydings I did nothing about it because I knew there had been no request by the Treasury Department for any deferment. I quite agree with you that being in the Armed Forces is more important than anything else.

Q. I don't think you quite got my point, Mr. Morgenthau. The point I am making is that the feeling of the public that every person is being treated correctly by going into the Armed Forces is more important to the war effort than the bond sale.

A. I think it is more important than anything else, and I am more than pleased--

Q. I--

A. May I finish, please.

Q. Pardon me.
A. And as far as the Treasury is concerned, as far as I am concerned in regard to Treasury personnel, there is nothing to explain about our attitude as between the Treasury and any draft board. If you care to, I would be very glad to let you get all the cases in the Treasury, or any other newspaperman or woman, that we have, as between the Treasury and the draft board.

Q. I assure you, Mr. Morgenthau, although I am not the Daily News, but I can speak for them in this respect - I have followed the draft straight through - when and if we hear of another case like this we shall attempt to get the facts as we did in this case. I don't consider that we have been given the facts.

A. Well, you saw Mr. Kuhn. He can talk for himself.

Q. I saw Mr. Kuhn, yes, and I quoted Mr. Kuhn
just exactly as he said. I don't see that there is any use in taking up the time of these people. You made your statement, and I have told you our attitude. You said you had a copy of a letter you were going to give us, I believe?

**A.**

Here is the letter. Certainly the way the story is written, the story and the facts don't jibe.

**Q.**

Well, that is what we found.

**A.**

Here are the facts, if anybody else wants them. The story as written and the facts don't jibe, and that is why I think it is unfair to publish it. I still think so.

**Q.**

Mr. Secretary, you said in just discussing this case, that you had not asked for any deferment. Did that apply to this case or to any other member of the Treasury?

**A.**

No, I didn't say that. We have - certainly we have.

**Q.**

I misunderstood you then.
A. No, there are several cases where we have asked for three months, and I said any correspondence between the Treasury and any draft board is available to any of you people if you want to see it. That is what I mean - ia available. Any request that we have made to any draft board is available.

Q. In this case you have not asked for deferment?

A. In this case I have not asked for deferment, and I wasn't asked to ask for deferment; and the boy - the point is the boy could have taken his commission, whatever it is, and been in the Navy now, but he didn't do it because we thought it was just as important to be here working as a civilian as it was to do the kind of work that he was going to be given to do - exactly the same kind of work in the Navy. He took his chances and was going to stay in the Treasury
as a civilian, and he may be drafted tomorrow and go in as a private; and I think on that basis he is to be commended and not criticized. As I said before, I think there are a lot of people in Washington that haven't done that kind of thing.

MR. KUHN: May I point out, Mr. Secretary, that Admiral Conard, whom you mentioned, is the man in charge of the interdepartmental war savings program, working here in the Treasury building.

Q. Again, I don't want to argue this question because everything that is in our story is the facts that we got, but Mr. McCarty himself told me that his commission was to have been in the Supply Corps.

H.M. JR: As I say, I don't - since I have seen the story, I have not discussed it with Mr. McCarty. I haven't seen Mr. McCarty today. Does anybody else--
Q. The Supply Corps seemed to us quite far removed from War Savings Stamps and Bonds.

Q. In asking about any other deferments - I have particularly in mind your General Counsel, Mr. Foley, whom I understand is subject to the draft any time - has a deferment been asked?

A. I haven't asked for any deferment, no. He didn't ask me to ask for any.

Q. I have heard from outside sources that the matter was up.

A. That is incorrect. Mr. Foley hasn't asked me and I haven't asked for any, and, as I say, anybody that wants to go in to Norman Thompson and see our file on correspondence between the Treasury and any draft board, the file is open, and if I may say so--

Q. I wasn't trying to start an argument, Mr. Secretary.

A. No, I feel this way, I take full responsibility for anything that happens on deferment between the Treasury and the draft board, knowing that every single case - I don't think that I am being immodest when I say that there is nothing to explain in any of it. There is nothing to explain to anybody.
The record is open.

Q. Mr. Secretary, have you refused in any cases to intercede for deferment for your employees?
A. Have I refused to do what?
Q. Intercede for anyone who wants to be deferred?
A. Well, there have been some department heads who have asked for deferments, and I have rejected a number of cases. There are only - I don't think there are but a half a dozen cases where we have asked for three to six months, but as far as I know I haven't asked for anything beyond that. There are some special circumstances where people have special skill, and it would take us that long to break somebody else in in some departments.

Q. Your general policy then hasn't been to seek deferments for your employees?
A. Well, I am making a guess, but I doubt if in all the cases which - I don't know if we have any six-month cases, but certainly no more than six-month cases, as far as I remember, and I doubt if we have asked for over a half dozen in the whole time throughout the whole seventy or eighty thousand employees.
Q. And none of them are permanent - you haven't made any--

A. No, only six months, but don't take my word for it. The file in Mr. Norman Thompson's office on that is open to anybody who wants to go in and see it. It is open to anybody that wants to go in and see it, and I again say I have nothing to apologize for or explain.

Q. Mr. Secretary, do you have any last fiscal-year words?

A. Don't tell me I am going to have the last word on anything. (Laughter) Mr. Bell and Haas and some of the other people are preparing a statement on the financing of the year.

Q. When will that be issued, Mr. Secretary?

MR. SCHWARZ: Wednesday evening, for Thursday morning papers.

H.M.JR.: When will it be--

MR. SCHWARZ: Wednesday evening, for Thursday morning papers.

Q. What about War Bonds for June?

H.M.JR.: What about them?

Q. How are they coming?

A. Well, just the way they have been. I mean--
I guess you don't like to say much about that.

Looking at it--

Not for June.

Mr. Secretary, going back to this one particular case, in which I am particularly involved, naturally, you have no comment to make on the discrepancies in the statement which we secured when we attempted to investigate this case, and I might add that there was another case about the same time with which we were satisfied with the statements we were given and we dropped it and said nothing about it further, but have you or have you not anything to say about the discrepancies?

I have just got this to say, in fairness to McCarty - I didn't ask him to be here, but I am certainly going to ask him what you said because I happen to feel very strongly on the war and on fighting the war, and I will certainly ask him about the statements that you made.

Then, may we be enlightened as to anything further that you may have to say about it?

That is perfectly fair.
Q. Would that be another press conference?

A. I only have them every - twice a week.

MR. SCHWARZ: We can telephone Miss Strayer.

H.M.JR: I think possibly - I am just thinking out loud - if it is agreeable to you, I will have you and Mr. McCarty over together.

Q. That would be perfectly O.K. with me. I will be glad to.

A. Is that all right, at a time agreeable to you? Sometime tomorrow I would like to do that. Is that all right?

Q. That would be perfectly all right. We have no desire to be unfair to Mr. McCarty, I assure you.

A. Well, I hope you appreciate that I wasn't trying to be personal in my remarks in referring them to your paper. I mean, I wasn't trying to be personal.

Q. We are quite willing to stand by anything we print, because we print only the facts as they are given to us.
A. Can you come in the morning or the afternoon?
Q. I am on all day from nine to five-thirty.
A. Would ten-thirty be agreeable?
Q. Quite.
A. Do any of you other men want to be here? If anybody wants to be here, they are invited - ten-thirty tomorrow.
Q. Mr. Secretary, it seems that Mr. Paul has submitted to the Ways and Means Committee some sort of a plan for an additional tax involving some sort of a credit for savings. Can you tell us what that is all about?
A. I haven't seen it.
Q. It was a spending tax, I believe.
A. I don't know. Paul is in town.
MR. SCHWARZ: He is prepared to talk.
H.M.JR: Mr. Foley has a statement he would like to give out on this meeting. Would you give it out, Ed?
MR. FOLEY: Yes, we wanted to call the attention of the press to the Inter-American Conference that officially
opens tomorrow, which will be attended by representatives of the twenty-one American Republics. The purpose of the conference is to review the action taken by the different countries pursuant to Resolution Five, adopted at the Rio conference last January, to decide upon what further measures of economic and financial controls are necessary to cut off commercial and financial intercourse between the countries of the Western Hemisphere and the aggressor nations. Each country has taken some action to set up its own freezing control, and the conference is expected to recommend measures to unify and coordinate the freezing controls of the twenty-one American Republics.

Q.

MR. FOLEY: That was the resolution that was adopted at Rio last January, that provided for financial and economic controls to cut off intercourse with the aggressor nations on the part of the countries in the Western Hemisphere. We feel that this conference is a very important confer-

ence, and we have a list here of the United
States delegation.

Q. Do you have a copy of your statement?

MR. FOLEY: Yes. (Copies distributed)

Q. Is this the first announcement of the American delegation?

MR. FOLEY: The State Department, I think, made an announcement of the American delegation after the President appointed them last Saturday morning. If any of you fellows didn't get that--

Q. Where is it, over in Pan American?

MR. FOLEY: It is to be at the Pan American Union starting at eleven-thirty tomorrow morning.

H.M. JR: Anything else?

Q. Just on a non-argumentative subject, I wondered what you could tell us of your opinion of the tax bill.

H.M. JR: I think you will have to wait until I go before the Senate.

Q. I think they did pretty well by you, don't you?

A. I think I will refrain from saying anything.

Q. Mr. Secretary, you don't have any idea, or at least aren't prepared to state any changes
you might recommend to the Finance Committee?

A. No. Anything else?

Q. One other question - will you continue your fight for your original tax program when you go to the Senate Finance Committee?

A. Nothing has happened to make me change my opinion, yet.

Q. Thank you.

A. All right.

Q. Thank you.

Under those circumstances we believe it is necessary for Mr. McNary to remain in the service of the Treasury Department. We hope you will agree to this. We hope, too, that this action will not reflect in any way upon Mr. McNary's record with the Navy Department. He acted in accordance with a commission. Changed circumstances, of recent development, make responsible the War Department.

We will appreciate a reply as soon as possible.

April 19, 1942

[Signature]

[Title]
April 29, 1942

The Honorable
The Secretary of the Navy
Washington, D. C.

My dear Mr. Secretary:

It is our understanding that the Navy Department now has under consideration a commission for Milburn McCarty, Jr. and that if the commission is granted he will be assigned to Admiral Conard's Division in the Office of the Secretary of the Navy.

At the request of the Secretary I am writing to ask if you will have the granting of this commission indefinitely postponed.

As you know, with the approval of the President, we recently inaugurated a greatly intensified campaign for the voluntary sale of War Savings Bonds and Stamps. Mr. McCarty, as Chief of the Press Section of the War Savings Staff, is directing an important part of the campaign. His leaving at this time would seriously hinder our War Bond activities.

Under these circumstances we believe it is necessary for Mr. McCarty to remain in the service of the Treasury Department. We hope you will agree to this. We hope, too, that this action will not reflect in any way upon Mr. McCarty's record with the Navy Department. He acted in good faith in applying for a commission. Changed circumstances, of recent development, are responsible for our present request.

We will appreciate a reply as soon as possible.

Sincerely yours,

(S) W. N. Thompson
W. N. Thompson
Administrative Assistant
to the Secretary
May 13, 1942

My dear Mr. Thompson:

This will acknowledge receipt of your letter of April 29, 1942, relative to Mr. Milburn McCarty, Jr., who has applied for a commission in the United States Naval Reserve.

As requested, action on Mr. McCarty's application has been indefinitely postponed. This will in no way prejudice any future application which Mr. McCarty might submit nor will it reflect on his record with the Navy Department.

Assuring you of the continued cooperation of this Department, I am,

Sincerely yours,

(Signed) Frank Knox

Mr. W. N. Thompson
Administrative Assistant to the Secretary
Treasury Department
Washington, D. C.
Treasury Department employees in Washington and in the field have just gone over the top in the campaign to have the employees invest at least 10% of the Department's gross payroll in War Savings Bonds and Stamps.

Out of a total 60,184 employees throughout the United States, 57,268, or 95.2% of the total number employed by the Department, are setting aside a portion of their earnings every pay day in the Department's payroll savings plan. They are allotting $1,172,000 each month, which represents 10.8% of the Department's gross pay roll. This substantially exceeds the goal of 10% which has been set for Government departments and for companies throughout the United States.

The amount of the allotment is expected to increase when reports are received from Federal employees in divisions now being decentralized and moved from Washington.

The response of Treasury Department employees is regarded by the Department as an example to other departments of the Government and to the American people generally. If all other Government departments and agencies are as successful as the Treasury, more than $350,000,000 a year will be invested in War Bonds by Federal employees, or approximately $30,000,000 a month.
First let me take care of Miss Strayer and her newspaper. The remark that I made the other day that her story was inaccurate was incorrect. At the time I made those remarks it was all the information that I had; and subsequently I went into the thing myself and I found that the Treasury had asked for a deferment and therefore due to lack of information my remarks were uncalled for at the time. I am duly sorry.

If that request to be withdrawn now?

Q.

A.

No.

Q.

It was a limited request for six months, wasn't it?

A.

That is right.

Q.

What will happen in the case, Mr. Morgenthau, and have you made any investigation - I mean, what is the nature of the investigation,
and what result?

A. I can't report on anything further at this time. There is nothing to report at this time, but if there is anything of any importance I will inform the press.

Q. And Mr. McCarty's status at the moment is the same?

A. Yes, his status is just the same. I mean, I haven't done anything, and I don't know that I will.

Q. Is that the first case, Mr. Secretary, where you have asked for a deferment?

A. No.

Q. There are others?

A. Oh, yes. I have asked for three deferments for six months, eight for three months, and four for two months, a total of fifteen. I don't know why they put this in (looking at paper). Request made by Department of Commerce for six months, for Bureau of
Marine Inspection, which was transferred
to the Treasury, one, making a total of
sixteen. Deferments which have expired,
five. Number of those deferred who have
termed or received notice for induction
in military service, two; employees
reclassified after request for deferment,
one; number of employees deferred from
military service at the present time,
eight.

Q. Those are more or less complete deferments,
not just for a period of time?

A. No, nothing above six months. Out of the
whole eighty thousand Treasury employees
we have asked for three for six months,
eight for three months, and four for two
months. I mean, that is for the whole
Department.

Q. And out of the whole Department only eight
of the people who were deferred are in
military service?

A. No.

Q. They are still deferred.

A. At the present time there are eight employees deferred from military service.

Q. Out of the whole eighty thousand?

A. Out of the whole eighty thousand - what is that, one one-thousandth, or something.

Q. Mr. Morgenthau, how did you find out how the deferment was asked for if you didn't know about it - since you didn't know about it?

A. Well, that is a long, long story, a lot of people involved. I am satisfied of this, that the mistakes which were made were perfectly honorable ones. I mean, nobody was doing any plotting or anything like that. I mean, it is the kind of thing that can happen in a big department once in a lifetime, and I am satisfied
that nobody was doing anything other than would happen in the rush of business in any big department. There was no plotting; nobody was trying to do anything dishonorable. I mean, it is a big department. We are all human, make mistakes. It went through a lot of people's hands, some of the best people I have around me, including myself (Laughter) - leaving myself out - I didn't mean that. It went through a lot of people's hands, whom I would be more than willing to put my reputation into their hands, and it is just one of those things that happen, but as I explained to you it is the one and only. And the benefit we have derived - we have been extra careful before and now we will be triple careful. Mr. Secretary, as you laid down the policy when the Selective Service Act was passed as to whether - as to what circumstances any of the officials in the Treasury would
ask for deferments of necessary employees--

What happened was this. There was so much difference between departments that I asked the President to appoint a committee to lay down the rules as to what each department should do, which he did, and I think I was chairman of that committee. We worked out rules and regulations, which we have lived up to. Then as these requests come for a deferment from the various bureau heads they come up to me and we have an informal committee that sits and hears each one of these cases. Where the men are doing work and they cannot be replaced before the time that they have to go to serve in the Armed Forces - in these sixteen cases we have asked for three months to six months in order to give these bureau heads a chance to turn around and break somebody else in. That has been our policy, but we have not asked for any permanent
deferment because I don't consider any work that anybody is doing in the Treasury is as important as being in the Army.

Q. Can we switch from the military subject to financing?

A. If everybody is satisfied.

Q. I thank you very much, Mr. Morgenthau. I wonder if it would be possible - I am going straight over to Mrs. Roosevelt's press conference and I won't say anything about this until twelve o'clock - won't be violating any rules.

A. It is all right with me.

Q. Thank you very much.

A. Thank you.

Q. Any news on financing?

A. Not between now and the Fourth of July.

Q. What was the question?

A. Any news on financing.

Q. The reason I asked you, you have two
market operations, don't you, the fifteenth
and the thirtieth, or are you going to
borrow one lump sum in July?

A. One market operation. Why should there
be two?

Q. I don't know.

Q. Is there going to be another tap, or isn't
the time right yet?

A. Well, we are just beginning to take a look
at it - just beginning to take a look at
it. But there will only be one. Have a
heart. One a month is enough. (Laughter)

Q. Mr. Secretary, could you tell us how the
plan is progressing to use the old Federal
Reserve notes to save printing new money?

A. I will have to get the answer for you.
Chick Schwarz will get the answer.

Q. You know the news is out?

A. What news?

Q. That it is planned to do that. It was
published by one of the New York papers.

A. Chick will have to get you the last word on it.

Q. There was quite a story about it in the World Telegram on Saturday.

A. Was there?

Q. Yes.

A. I didn't see it. Find out what it is and give it to the boys.

MR. SCHWARZ: Right.

H.M.JR: What else? Don't you all want to go over to the President's press conference?

Q. She was going to Mrs. Roosevelt's.

A. Oh, I thought she said the President's.

Q. We can skip that.

A. It will be a good press conference.

Q. We are not permitted in there.

A. I see. I haven't anything. I would like to have, but I have nothing.
Q. How about the tax idea, any new ones yet?
A. No.
Q. There is a report that this memorandum which Mr. Randolph Paul submitted to the Committee on these various plans, either for debt moratorium or a deduction for the purchase of War Bonds, and so forth - that it would be again broached to the Senate Finance Committee. I wondered if there was anything you had.
A. I don't know. I can't help you out.
Q. I hate to bring this subject up again, Mr. Secretary, but you are still saying that if you don't make your July quota on bond sales you will be more interested in the general subject of forced savings?
A. Oh, I wouldn't put it that way. But we are going ahead full steam on our War Bond program.
Q. I am not implying that you won't make your quota, but I say assuming that you don't you then would be--

A. Well, all I am saying is we are going ahead full steam with our War Bond program.

Q. I understood you had said that. I just wanted to check it with you, that if you didn't make your quota--

A. I still say we are going ahead full steam.

Q. Thank you.
SECRETARY MORGENTHAU'S
Press Conference
July 6, 1942

A. Well, I think we will have for you Tuesday afternoon, and it will most likely be late, for Wednesday morning announcement, a two-billion-dollar financing.

Q. Two billion?
A. Two billion. It will be late tomorrow, I am afraid. I will try not to make it late - for Wednesday morning.

Q. Can you say anything at this time as to the nature of it?
A. Not yet.

Q. Whether it will be a tap or not?
A. I think you had better give me another twenty-four hours. I need it. I will need another twenty-four hours. That will give you fellows a chance to use your imagination.

Q. It is hardly necessary because the
Treasury announced this morning that there would be none.

A. What?

Q. Tap.

Q. Reopen that series?

A. Yes, but it said late July or early August. Isn't that what it said?

Q. That is right.

Q. That wouldn't be in this financing? That would be another financing?

A. No, the tap will not be in this financing - not in this financing, no. Kill that anyway - I mean, kill that hunch.

Q. In other words, this reopening is another transaction?

Q. That is the latter part of the month?

A. Didn't the thing say either the latter part of the month or early August?

Q. That is right.
A. I have had lots of photographers around here - South American day.

Q. You mean we are getting blasé?

A. It was a very touching thing out there, at Walter Reed Hospital. I was out there when they decorated these four men that flew with Doolittle. I did thirty seconds work on the air, but it is the first - I mean, get this from the Air Corps if you are interested, don't take it from me - it was one of the most impressive things. These men have been with him - the fifth man is from Hawaii - and they are the first war veterans that have been decorated. But if you want the story you ought to get it from the Air Corps. It was a very impressive thing.

Q. When was this?

A. It was at one forty-five, out at Walter Reed Hospital.

Q. Today?

A. Yes, and the Air Corps asked me to go along.
Q. Just what do you mean, Mr. Secretary, the first war veterans?

A. That is the statement that they made. Now, I don't know. They said they were the first war veterans to be decorated. Maybe they mean at the hospital.

Q. You mean they have already been discharged?

A. I suppose. That is the statement that they made today, that they were the first war veterans of this war.

Q. I guess the other people that have been decorated haven't become veterans, they haven't been discharged.

A. Or disabled. I guess that is what they mean. But it was a very interesting thing. If you are interested, ask the Air Corps. Haven't they got very good press relations there?

Q. Yes, sir.

Q. A question came up--
A. Not me, but the men. I just happened to be a witness. The men themselves were very interesting.

Q. A question came up in my mind. I read in the Saturday Evening Post recently an article which allegedly or purportedly had the full details with regard to the removal of gold from Manila. I was wondering - in the past you have always made those things available to the press here, the members, and I wondered if you would follow that policy in the future.

A. Number one, I haven't read the story; number two, I don't know anything about it.

MR. SCHWARZ: I can tell them about it. The story was written by a member of the State Department who was actually there at Corregidor. We didn't make anything available.

H.M. JR: We made nothing available?

MR. SCHWARZ: That is right.

H.M. JR: We are all right this time?
MR. SCHWARZ: We are all right.

Q. Would you keep that in mind, anything like that?

H.M. JR: Always. No, I am for that. I have yet to write my first story myself since I have been here, so I have kept that.

Q. Will you let us edit that, Mr. Secretary, when you write it? (Laughter)

A. I will withdraw the question.

Q. While I am here in the Treasury, yes, but there won’t be any story. Is that good enough?

A. Fair enough, yes.

Q. Is that what you meant?

A. Yes.

Q. One possible interpretation of that now would be that Secretary Morgenthau plans to write a story as soon as he leaves the Treasury. (Laughter)

A. Secretary Morgenthau, when he leaves the Treasury, has a very nice rocking chair on
his back porch and hopes to sit there for at least twelve months.

Q. Can we come over and visit you occasionally?
A. You are all invited, and I have got a good wine cellar, too.

Q. Thank you, sir.
Q. When are you leaving, Mr. Secretary?
(Laughter)
A. Now, don't rush me, - when the war is over, when Mr. Roosevelt is through.

Q. Mr. Secretary, how is the War Savings campaign going for July?
A. Oh, it is too early. As a matter of fact, I haven't seen any figures today.

Q. I have them right here, fifty-two million dollars for the--
A. What a pal!
Q. For the first two days. That is a little under the average. I just wondered if you expected that to pick up later during the month.
A. If those are the figures, I hope they do.
Q. How long are you going to let this voluntary continue? Have you set any time limit on it in your own mind?
A. No. We will see. In the meantime we will do all we can, with full cooperation from everybody in Washington. That reads all right? You can't get my inflection in there? On the ticker it would look O.K., would it?
Q. I think so. Anything on taxes?
A. Nothing new on taxes.
Q. Can you hazard a guess when this bill will be out into the President's hands?
A. No.
Q. Are you losing any excise taxes on this thing when it is delayed?
A. Well, sure, every day. I don't know. They have got a figure. They have got it figured out how much we are losing every day, but it is a very large figure.
Q. Would you make a statement that Congress should speed up on this thing, this tax bill?

A. I don't want to be sent for again. (Laughter)

Q. Has Mr. Sabath seen you yet, the chairman of the Rules Committee?

A. No.

Q. Do you expect to see him soon, sir?

A. That is up to him.

Q. He said he would be down in the next couple of days. That came out Friday.

A. Well, I will be here.

Q. Any ideas as to the kinds of rules you would like to have, Mr. Secretary?

A. Well, that is up to the leadership on the Hill. I have nothing to do with that. I have got nothing to do with that.

Q. Thank you, Mr. Secretary.
Q. Any news?
A. No. The bond issue is going all right.
Q. We were commenting on that - a comment on the bond issue, no comment on taxes.
A. We had one bank that put in a subscription for a hundred and twenty-five million; another bank put in a subscription for a hundred million.
Q. You don't want to identify the cities they were in, do you?
A. You can make a pretty good guess.
Q. I think I probably could, New York, Chicago.
A. New York - New York, both.
Q. That is one of the largest single subscriptions on record, isn't it?
A. I think it is one of the largest, as I remember. But it is going all right.
That is about all I have got. Callahan has something on this retail store thing I would like him to tell you about.

Lt. CALLAHAN: On the seventeenth of July there is going to be a one-day rally staged in every city and town in the country, and we are issuing a release this morning giving the details of it. It is patterned after the drive which they had in Vineland, New Jersey, on May 30, in which they raised in a single day something in the neighborhood of seven hundred and fifty thousand dollars. We are calling it American Heroes Day, and all of the details will be in that release, which should be downstairs by noon. It is being mimeographed now. This will be the biggest single one-day operation that we have attempted in the bond campaign.

H.M.JR.: It doesn't interest these men, but how many pages of advertising did they run that day?
MR. CALLAHAN: Where?

H.M.JR.: Vineland.

MR. CALLAHAN: I have forgotten, but the papers were just loaded with advertising.

H.M.JR.: I mean that doesn't interest you boys - purely commercial. (Laughter)

Q. Mr. Secretary, I understand you don't desire to talk about taxes, but would you care to say anything about the municipal and State issues, or aren't you going to press that particularly, because on the Senate side you have had Senator Brown supporting that in the past.

A. Well, as far as I know, nothing has happened that will make me change my recommendation as to the whole program. In other words, whatever my recommendations were at the Ways and Means, they will be substantially the same, with the exception - the only new thing that I didn't do on
March three was that I recommended lowering the exemptions. Include that, and that is the program. I mean, as far as I know, nothing has happened to change me.

Q. Would you--

A. We still want the money, and we need it worse than ever.

Q. Would you be good enough to explain why you took the extraordinary steps of issuing the statement to disavow a statement made by Mr. Paul to the committee on the question of taxes?

A. I can explain that as long as you don't ask me to explain the statement. I can give you the reasons.

Q. Yes, I would like that.

A. For background, very simply. Ronald Ransom - this is for background - was very much exercised over that, and he was getting mail and questions, "Did this mean that there
wouldn't be curtailment, that the Federal Reserve program would not be carried out?",
you see, on the installment plan, and so forth and so on. And nobody here had anything in
mind to go contrary to the Federal Reserve. We are all for that program. Well, from
the inquiries he was getting he was really quite exercised about it and was very
insistent that we get out something.

This means you are going to drop it entirely now, or will that come up in the Senate
Finance Committee again?

Q. I just don't know. But all it means is
A. that the Treasury and the Federal Reserve
are definitely in tune, and Paul was over
there and had lunch with them yesterday and
worked up this statement. It is Ransom
who evidently handles that end of the thing;
from the inquiries he got he was disturbed.
That gives you the background?
Q. Yes, sir.
A. What else, anything? All right.
Q. May I ask you one question. How long is this three hundred million dollar weekly bill offering going to continue? You said--
A. Well, we will take another look at it next week. It won't be any less.
The War Bond people tell me that up to date there are six hundred cities that are going to participate in this retail store sale of War Bonds on American Heroes Day, July 17, and we have had over five thousand seven hundred stores ask to become issuing agents. It looks as though it ought to be quite a day - ought to sell quite a lot of Bonds. That is tomorrow, isn't it?

Yes, sir.

That is all I have got to offer. I will be glad to answer questions as freely as usual.

It is my birthday, Mr. Secretary, July 17. Is there any connection with it? (Laughter)

What is it?

This American Heroes Day is my birthday.
A. I thought it would be a nice gesture. (Laughter)

Q. Thank you, sir.

Q. Heroes aren't born; they are made. (Laughter)

Q. Thank you, sir.

Q. What kind of flies are you having trouble with?

A. Oh, just an occasional - just an occasional fly.

Q. The insect variety?

A. Well, they just come around. Please notice what it is made of. Last year they were made of rubber. (Indicating fly swatter)

Q. Mr. Secretary, my office asked me to ask if you were giving any attention to some sort of a security that you could borrow on for tax purposes. They said that they have received a good many suggestions that something like the tax anticipation notes be used but that it could be used for collateral purposes in between times, for emergencies, and so forth, for small
companies.

A. The boys may be studying it. It hasn't come to me. I don't know anything about it. Are we studying it here? I am looking at you.

Q. I don't know that you are.

A. I don't, either. I mean, I don't want to say that somebody in the shop isn't doing something about it. I don't know anything about it.

Q. I heard the Reserve Board had also received the suggestions. I didn't know but that it had come to you.

A. No, I don't know anything about it.

Q. Mr. Secretary, it occurred to me, why isn't - in all these War Bond things why isn't the intrinsic value of the Bonds being emphasized rather than the patriotic angle? I mean this has been forgotten in this whole campaign, with the credit of the United States par excellence, and in post-war years you will probably have to sell more of these Bonds to
the people. That has been - I just believe that has been overlooked.

A. What have you got there, the Gallup Poll, or something?

Q. No, I have got something here that was put out by the War Savings Staff which tells everything about Abbott and Costello and nothing about War Bonds. I was just curious.

A. Well, I can answer that. I don't know what the release is that you have got in your hands.

Q. This is something advertising the current picture "Pardon My Sarong." There is nothing about Bonds here. I don't know where that came from. I am just curious.

A. What makes you think - do you know anything about this?

MR. McCARTY: Yes, sir, Mr. Secretary. This came from the Special Activities Section. Abbott and Costello are beginning on a tour shortly.
They are going to visit a dozen or so different cities and are going to be working on Bonds all the time - on the promotion of Bonds. So this was to give, mainly, the list of cities they were going to.

I think Mr. Gregory's criticism goes to a rather fundamental thing. There are three pages of copy there devoted to Abbott and Costello and the merits of Universal and of their various pictures and their particular type of humor and only incidental mention once in a while of War Bonds.

H.M.JR: Does that come out of your shop?

MR. McCARTY: Yes, that came out of my shop. They are paying for it all, Mr. Secretary.

Q. With respect for that, I think these people are turning this War Bond sale to their personal publicity, Mr. Secretary.

A. Well, leaving that aside, and that I watch closely and every once in a while somebody gets away with something - they only do it
once. But to answer your other question, which I think is more important, why don't we push the intrinsic value, the interesting thing is we have had a number of surveys made which show that the large majority of the people want to buy War Bonds in order to help the war effort, and that is their first interest; and the nest egg idea doesn't interest them as much because they want to be sure their money is going to help the war effort.

I see all sorts of blurbs about patriotism but very little about, "It is a marvelous investment", "More for your money", "It is a sound investment", and so forth.

Well, the answer is, Nick, all those things that you say are true, but the people that are buying the Bonds are buying them because they want the money to go into tanks and guns and ships; and the fact of the saving
and the rest of it seems to be a secondary interest to them.

Q. Isn't it true, Mr. Secretary--
A. Excuse me. I mean we made check after check on the thing. I don't like this; I am going to look into that thing. I don't like that thing any more than you do.

MR. SCHWARZ: It might be noted that doesn't bear the Treasury's heading.

Q. I know, but where did it come from? We don't know where it was put out.

H.M.JR: I don't like it any more than you do. I think it is cheap.

Q. It was put out in the press room. Did you know where it came from?

MR. McCARTY: It came from our building, the Sloane Building. The main purpose was to send it to the cities where Abbott and Costello were going, to give them the advance information; and we also want to cover you, let you have everything that comes out, so we sent it over
to you.

Q. We didn't have it printed.

H.M.JR: Thank heavens for that.

Q. The liquor ad people say, "We can't say anything about War Bonds and we are no more immoral than some of the folks in the Mid-West think Abbott and Costello are." 

A. Well, I haven't heard anybody think they are immoral. I mean, there is a distinct school that like them, but I never heard anybody talk about their being immoral.

Q. Not in that sense - some people don't believe in going to the theaters, anyway, in Mid-Western States, the Bible belt, so-called.

Q. Any news on financing?

A. No, just got through one.

Q. Is any consideration being given by the Treasury at present to the possible alteration of the cashing-in within
sixty days' provision, to extend it, on the War Bonds?

A. To change it?

Q. Yes.

A. No. We like it. People that buy them seem to like it. No, I think we will leave that.

Q. Mr. Secretary, did you see Senator George's statement the other day in which he said that he was very sorry to have to think that the voluntary system of buying War Bonds was not going to succeed - afraid it was not?

A. I didn't see the statement. That happens to be the truth. I wasn't here.

Q. Did you say it happens to be the truth?

A. Yes, it happens to be the truth that I didn't see the statement.

Q. Oh, I thought you said it happens to be
the truth that the voluntary sale——

A.

No. So often when people don't want to say something they say, "I didn't see the statement", and that happens to be the truth.

Q.

Mr. Secretary, have you got a word for this Inter-American meeting that just ended here?

A.

Haven't they gotten out anything?

Q.

Would you care to say anything about the success of it?

A.

Well, I wouldn't want to say it off-hand. I think it is a good idea, and we will get Mr. Foley and Mr. White to prepare something for you. All right?

Q.

Thank you, Mr. Secretary.
Q. Any comment, Mr. Secretary, on the passage by the House of a tax bill?
A. I don't think so.
Q. Would you comment on the relation that its contents bear on your recommendations?
A. Well, it is so near to my appearing before the Senate Finance I think that I will wait for that. The time is so close.
Q. Would you do this, Mr. Secretary? Your staff has a revised estimate of the yield of the bill as passed. Would you get us that?
A. Sure. There is something positive. Chick will get that for you.
Q. You say it is so near your appearance before the Senate Committee?
A. Senate Finance, yes. I mean I thought I
would save whatever I have got to say for that. As far as I understand it, I think it is Thursday, but it was dependent on when the bill was going to be passed.

Q. Is there any reason to believe that you have reduced the size of your requests?
A. No. The request is a minimum.

Q. That is eight, seven?
A. Eight, seven is a minimum.

Q. Are you going to have an advance for us, Mr. Secretary, when you go up?
A. Sure. That morning will be time enough, won't it?

Q. Yes, sir. I will be glad to get it then. Is Mr. Paul going with you?
A. Surely.

Q. He will follow you?
A. This is for your guidance. Unless the plans are changed, he doesn't expect to make any statement.
Q. Mr. Paul doesn't?
A. No, sir, the idea being that there is the bill, and the Committee will discuss it and they will do their own interpreting.

Q. You will speak - you alone will speak for the Treasury?
A. That is the present plan. I mean, that is what Mr. Paul arranged, and unless there is some different change - but I mean that was his idea, not mine.

Q. They have set aside two days up there, I believe, for the Treasury officials.
A. Well, they will all be there - I mean anybody that has anything to do on it. When we go before it we are always prepared to discuss anything from silver to customs receipts.

Q. It will not take you two days, however, to submit your voluntary statement, I assume, will it?
A. Oh, no, ten minutes. Fifteen minutes
would be the outside.

Q. Mr. Secretary, when you asked Mr. Helm whether the morning of your appearance would be adequate - I don't think that will meet the need of the press association.

A. What would you like to have?

Q. The previous afternoon.

A. Well, I will tell Schwarz.

Q. That is what you did on the House, and it worked out very well for both you and for us. We were able to handle the contents of your statement in greater detail.

A. Is that the way you did?

Q. Yes, sir.

Q. I would like to join in that. It would be better for me.

A. There is no reason why you shouldn't have it. It worked out well for us.

Q. You get a fairer and better analysis of your statement.
I have nothing.

Anything on Treasury financing?

Not this week.

You mean you will have an announcement next week, Mr. Secretary?

Is the Victory Fund going to give you something?

No, there won't be anything. What is this?

Today is the twentieth.

No, there will be nothing the rest of this month. Now, wait a second - yes, that is right.

I take it you mean no announcement as to program?

No, we are not going to do anything this month.

How long are you going to keep up this three hundred and fifty million series?

Oh, we never say, you know. We keep our
Mr. Secretary, I wonder if you would make a statement. Everybody has been writing around the subject, and rather cautiously, of the effects of large-scale sales of Government bonds to banks, and possibly the question of inflation. Then, on the other hand, there have been estimates by various people to the effect that more of the Government bonds should be sold to other than banks, a greater proportion; but apparently just the fear of bringing the whole situation to the front has had people sort of writing around the subject but nobody has come out and made any definite statement. I was just wondering if you would make any statement on that subject and also the large purchase of Government securities by the Federal Reserve banks. No, I don’t think any statement is
necessary. I think our record speaks for itself. I don't know anybody that is worried about it, except maybe - I won't say that. I won't put you - I was going to put you in that class but I won't.

There are twenty-three economists, Mr. Secretary, that just issued a report.

I have that in mind.

They are all worried about it, so they say.

Oh, I am sure - I am surprised there are not a hundred and twenty-three. No, the man I had in mind was Carlton Shively. I don't think - I think the record speaks for itself, and I am willing to rest on the record.

What do you mean by the record, Mr. Secretary?

Just what we have done, the amount we have sold to banks, the amount we have
sold to the insurance companies, the savings banks, individuals, trusts, so forth and so on; and I think that that record speaks for itself, and it is worth a great deal more than anything that I can say I might do in the future.

Q.

Well, that brings it to the point as to whether there might be a drastic change in the financing methods in the future; that is, to get away from selling as large a proportion of the Government bonds - would you consider as non-inflationary--

A.

The only time I worry about you is when you speak softly. Now, if you would growl at me I would feel much better. (Laughter)

Q.

Do you think there will be any change in the financing methods? I really am serious about it.
A. Well, so am I, and I just repeat that since I have been here I have always said that what I had done over a period of years speaks much louder than any forecasts that I can make, and therefore I am not going to make any forecasts. The financial community has me pretty well sized up by now, and they know after I have sat here since November '33 what I have done and what I am apt to do. For whatever it is worth, my record speaks louder than any forecast that I might make. That is all I can do to help you out. And twenty-three or a hundred and twenty-three economists - I haven't seen the statement - they may be the finest people in the world - can't change that.

Q. Have you been in on any of these conferences at which capital control has been a subject of discussion, with the Federal Reserve and SEC?

A. No.
Q. There has been a fear of inflation in the stock market coming - Leon Henderson made some statement about it - this fall, and it might lead very well--

A. Inflation is coming?

Q. Prices - yes, that is true, that there is going to be a run into equities if this--

A. I haven’t sat in on that, no.

Q. Mr. Secretary, coming back to the tax bill, you will recall that there was also a recommendation that a two billion dollar - approximately two billion dollars more will be raised through higher Social Security levies. The House has disposed of the first tax bill now and has done nothing about the Social Security levies. Do you now expect to renew that request of the House Ways and Means Committee?

A. That is part of the whole program. I mean,
every time I get up to say anything I am
certainly - it is in the President's
budget message of January third, and he hasn't
changed, as far as I know, in regard to it.
I haven't.

**Q.**

Do you expect the House Committee to take
that up next?

**A.**

I don't know.

**Q.**

Any comment on the charge about deficit in
financing, which is partly - wholly aimed
at the Budget Bureau, of which you, as
Secretary of the Treasury, might have
something to say? I mean this statement
by this committee here investigating the
Budget Bureau - deficit in finances.

**A.**

No. I belong to the peace party as far
as interdepartment goes, war party as
far as the enemies go.

**Q.**

Mr. Secretary, did War Bond sales on
July 17, War Heroes Day, approach
expectations?

A. I asked Vincent that question, and the preliminary - we have only gotten preliminary reports, but what we have look good; but it is too preliminary to say anything. We have only heard from about a tenth of the cities, but those we have heard from I would say were above expectations.

Q. Good.

A. They were above expectations, but they are slow in reporting. We have only heard from about a tenth of the cities.

Q. Thank you, Mr. Secretary.
Well, I have nothing. Have you got something? I ought to feel very apologetic.

Mr. Secretary, what did you think of that suggestion from the chairman of the Federal Reserve Bank in New York on taxes, by which he would skip a year, drop out a year, pay-as-you-go, presented today before the Senate Finance Committee?

What is his name?

Ruml - Beardsley Ruml.

(Discussion off the record)

Do you want to know, strictly off the record, what I told him? He made that suggestion a month or two ago, and I told him it would work out very nicely for a handful of people but that we weren't writing tax bills that way; that it would work out very nicely for a handful of
very rich people, which it would. It is the only way to catch up to them, the year they die, but it really means skipping a year of taxes; and what we are trying - I mean the whole thing here has been the other way. It has been trying to get all the additional money that you can, if I understood it - and I think I did understand it.

Q. He makes a strong point on the fact that people are always behind a year and that after a while your income goes down - that is, your taxes go down to such a low base that people will never be able to catch up and pay that past year.

A. I know, but at least that was my reaction when he made it to me, and nothing was disclosed since.

Q. Some of your technicians seemed to think well of the idea a few months ago.
A. Did they? Well, anyway, it is not terribly important. I don’t think anything will happen to it, but that is all off the record. Rum! usually is the other way around, but this time - I mean, it isn’t the way his mind usually runs while he is in Washington - again off the record.

(Resumed discussion on the record)

Q. Got any financing news coming up?
A. No. Well, I think it is safe to say that there won’t be anything this month.

Q. Is that off the record? (Laughter)
A. No. For what it is worth it is on the record.

Q. You mean unless you reopen the two and a halfs?
A. We will be doing something early next month.

Q. A week from today you ought to know something?
A. Well, early next month, I mean, I will be taking it up. We will be beginning to study it - we are beginning to study it this week. We are beginning to work on financing this week.

Q. Are you studying, by chance, any of those suggestions that are presumed to have come through the Victory Fund Committee that the Treasury asked for?

A. Oh, yes, the boys have that. I mean I am starting - I have already started. Most of this week will be on the study of financing.

Q. Mr. Secretary, I notice that figures on our gold holdings, our monetary gold holdings, have declined somewhat since we got into the war. Some indications of that is because other countries are interested in holding gold. Have you noticed a tendency lately for other countries to be more
interested in gold stocks?

Well, I wouldn't want to make a guess at it, but I can have Schwarz get the people to get you up a little statement. I don't know how often they release it, but anyway he will give you whatever is available, which countries have been increasing. Some of the South American countries have been.

It seems interesting from the standpoint of charges made sometime ago that we are the only country that is going to hold gold in the future and that we are a sucker for holding gold.

Not yet, - a little early. But Schwarz will get you up a statement on which countries have increased their holdings in gold.

What do you think of the proposal that we should build a new Statue of Liberty out of gold this time?
A. Well, don't tell me who made it.

Q. Some Englishman.

Q. A member of the British Parliament, Greenwood, I think.

A. Who is Greenwood? Well anyway, I think it is silly.

Q. He is a labor man.

A. I think it is silly.

Q. There is a better use for gold, is there?

A. I think so.

Q. Still is and will be?

A. I think so. I think the suggestion is silly.

Q. On the record or off the record?

A. On the record.

Q. You don't think well enough of liberty to--

A. What is that?

Q. Don't you think well enough of liberty to make her out of gold now?

A. Liberty is a spirit; you can't measure it
in worldly goods - on the record. All right, I am sorry.

Q. Thank you, Mr. Secretary.
I have nothing today, but I think tomorrow we will have something on the financing for you.

You mean - will it be released tomorrow, or tomorrow for the next day?

(Discussion off the record)

What it will be, off the record, is that I think tomorrow we will have something to release on the tap issue. I mean, I don't want to say it yet, but I think that by tomorrow we will have something - that we will begin to offer the tap issue again on Monday. But we are not ready - we haven't got anything formal to give you men, but just so I put you on notice I think either by tonight - I don't think it will be before tomorrow morning.

(Resumed discussion on the record)

On the record, though, you will have something tomorrow?
A. I mean I think, on the record, tomorrow we will begin to have something to announce in connection with our financing program for August, let's put it that way - for August. When is the first of August?

Q. Saturday.

A. Yes, we will have something. Excuse me, I don't think that that would be - to appear before August first, you see. Do I make myself clear?

Q. You mean that the public announcement--

A. The public announcement, beginning with August first we will begin to have a series of announcements on our financing. There will be a series.

Q. Mr. Secretary--

A. Am I making myself clear - for the August financing?

Q. Yes. The President has made it clear through Judge Rosenman and others he is taking another look at the various factors in the cost of living situation. Customarily the
Treasury is consulted in those matters.
Can you tell us what the Treasury's views are on wages and savings, farm prices, and so forth, at the present time?

Wouldn't you love to know?

Yes.

But I am not going to tell you, and for a very good reason, that just because the New York Times got some of the story - where I don't know, but I compliment them on their reporters.

I didn't see the story.

(Discussion off the record.)

Well, I did, and this is off the record. I mean, it bothered me, and I compliment them on being good reporters, but I hope they didn't get it from the Treasury. But anyway, be that as it may, they did a good job as a reporter - somebody did, and this is distinctly the President's business. I was bothered because it was the President's - the White House business, and this is all
off the record. As you men know who have been around here, when we are working for the President I never talk; and we are working for him and unless he is ready to talk, it is his business, not mine. So therefore, I can't say anything. I thought you had read the Times story.

No, but I was recalling the fact that you haven't been so reticent in the past on this particular question.

No, I mean we are working for him on — and when we do work for him, and it is like a Budget message, until — there have been numerous announcements in the White House, and when he is going to say something, he will call on us, among other agencies, for material. Until he makes up his mind what he is going to do, certainly I, as head of the Department, am not going to say anything. You would fall over dead if I did.

No, my point was that on this particular question you have not been reticent in the past.
A. Well, I am now, and the explanation is, it is because we are working on material for him. Now, as I say, because somebody else was smart enough to get the story that is no reason why I should break down the principle which I have had ever since I have been here, that when I am working on something for the President, until he announces it my lips are sealed, this is all.

Q. Have you selected a successor for Mr. Foley yet?

A. Again off the record, yes, but Mr. Foley's resignation is to the President, because he is a presidential appointment; and in the press of business the President hasn't yet accepted it. When he does accept it, I suppose being a presidential appointment, the President will announce it.

Q. Mr. Secretary--

A. So my statement - also this is all off the record - is that I recommended somebody to the President to succeed Mr. Foley, and he
accepted my recommendation. Now, just as soon as he gets around to accepting it, I suppose he will send the name up of the successor. That is all off the record.

Q. Inasmuch as Mr. Paul is very busy on other matters, will that mean a division of the duties of the General Counsel's office?

A. Well, as I say, I have made a recommendation to the President. He accepted my resignation, (recommendation) but, as I say, in the press of business he hasn't gotten around to accepting Foley's resignation. I think he is apt to do it today, and then when he does, he will send the name up to the Senate. So as far as I am concerned again, it is Mr. Rosenman's business. You will have to be patient.

Q. You just said the President had accepted your resignation. I believe you mean recommendation.

A. Recommendation.

(Resumed discussion on the record.)

Q. Sir, has the Treasury reached a decision yet on policing of domestic silver for industrial uses?
A. Now wait a minute, say that again.

Q. Have you reached a decision yet on a release of domestic silver for industrial uses?

A. No. There is only about, as far as we are concerned, something around five million ounces that we can release, and we here sort of feel that it is so little, in terms of what is wanted, that we are sort of holding it for an emergency.

Q. How about the possibility of cancelling or extending your instruments of transfer from refiners to the smelters to the Treasury so that the silver can flow directly to industry, and refiners can fulfill their commitments later on?

A. I don’t think we have the right to do that. Now, what we have done in a number of cases, we have given the miners and the refiners six months’ time as between the time that they deliver and the time that elapses in that contract. We give them time to turn around.
Now, we have done that, if that is what you mean.

Q. Can that be extended indefinitely, that period of time?

A. I think six months is, as far as I know, all they have ever asked for. It was only recently within the last week that I did in some particular instance give them six months' time.

Q. Does that permit them to use the silver for something else in the meanwhile?

A. No, I don't think so.

Q. It does not?

A. Well, you had better get somebody from the General Counsel's office to give you it technically correct. Schwarz will give you somebody to talk to, to give you a technically correct explanation. I don't want to go off on the end of a limb on it, but I know that only last week that was brought to my attention again. I gave that - Schwarz will fix you up, or anybody else who is interested,
but as far as I know I don't think they have ever asked beyond six months. But we here, the way we are now with the legislation, my hands are absolutely tied, not only with the legislation, but with these price ceilings which they have put on. I mean, they have got it tied up so now that I don't think any domestic user can get silver even if he is willing to pay above seventy-one cents unless he gets priority. In other words, I don't believe the way the thing is fixed that a man who is a manufacturer of silver today can get any silver. Now, that has nothing to do with any Treasury regulations, but the combination of OPA and with the price ceiling on both foreign silver and domestic, and Mr. Nelson's organization has put in certain priorities, they have made - I think that it is almost impossible for a silversmith to get any silver today. I think I am right on that.
Q. Yes, you are, that is behind the question, because they are trying to get it.

A. I think I am correct now, as far as the Treasury is concerned, first, my hands are tied by legislation, and second, we have somewhere in the neighborhood of five million ounces which we could release and that we have been keeping in case of some emergency coming along. It isn't much. We simply feel--

Q. I think what the silver people are interested in now is the possibility of either cancelling those instruments or extending them so that the refiners can send it into industrial channels later to fulfill their commitments.

A. I don't think the way they have got this thing as between - I can't remember all the initials - between Henderson and Nelson's organization, plus the Silver Purchasing Act - as near as I can follow
it I think the poor silversmith is out of luck. Now, evidently you have been studying it. Am I right or am I wrong?

Q. Since this morning, sir.

A. I am right?

Q. I have been studying it since this morning.

A. And if they put him up against anything — Bernstein or anybody else can—

Q. I think the rest of us would like to be brought up to date on silver, too.

A. Well, I think that sort of comes back—

Mr. Schwarz: We will have a silver conference.

H.M. Jr.: They have tied the thing up so I don't see where the silversmith today can get an ounce of silver, foreign or domestic.

Q. That would include anybody who wanted to use it for non-essential purposes, such as jewelry?

A. From what I have read in the papers and what I have heard so far, I don't think
the jewelry manufacturer - I don't see where he can get an ounce of silver.

Q. Mr. Secretary, you still expect--
A. Now, you can check that against Mr. Bernstein, but I think you will find that I am right.

Q. Do you still expect to make the quota on the Bonds for this month? It is about eight hundred million.
A. No, I don't think so.

Q. Any reason?
A. None - I have no reason to give.

Q. Disappointment?
A. Well, I think that it looks as though we will do somewhere around - my guess is we will do somewhere around nine hundred million, which is a tidy sum.

Q. What was that figure?
A. Nine hundred million - I should say we will get something in the neighborhood
of nine hundred million.

Q. Does the next month look any better to you, that is, the machinery going, the pay-roll allotment, and so forth?

A. As far as the pay-roll allotment situation, there is a steady growth and increase in the money that is coming in. That part of it is very satisfactory, and of course that is the guts of the whole thing - I mean as to the success or failure on the pay-roll allotment each month it is steadily increasing over the previous, both in the number of people who sign up and in the percentage of the amount that they deduct from their checks. I mean that is steadily growing. With the exception of the Treasury and the Navy, though, the rest of the Government has been slow - the rest of the Government but the Treasury and the Navy, and there may be a few - I mean of the bigger departments.
Q. Does the War Bond picture today make you consider any more than you have been compulsory savings?

A. I wouldn't say that. I would simply say this, that I am constantly studying the whole picture. I mean the whole financial picture is under constant study, and we must not lose track of the fact that my job is to raise four and a half to five billion dollars a month through a half dozen devices, and up to date I have been successful in that and have every reason to believe that I can continue to be successful.

Q. Without compulsory saving?

A. Well, I mean I have every reason to believe that I can continue to raise the money necessary to finance the war without compulsory saving. In other words, the War Bond is about a quarter to a fifth
of the whole picture; and we go out and raise a billion and a half in two days, and outside of you gentlemen and a few financial writers nobody pays much attention to it.

Well, some people think that bank financing is out of proportion to the money involved because of the inflationary - alleged inflationary aspects of bank financing. Well, the important thing is to get every dollar possible outside of the banks. In that we are straining every effort, too, and I think we have met with considerable success. For example, you take our bills, forty percent of the buyers of our bills are non-banking sources - forty percent, and normally one thinks of bill money as entirely banking. Of course the tap issue, a bank can't subscribe to that. So I mean we are constantly working on the program to attract money from non-banking
sources.

Q. Have you seen Senator George's most recent statements about induced savings?

A. I am not entirely familiar with it. I read it in the papers.

Q. Apparently it is a rebatable tax.

A. For personal - it is a plan that deserves study.

Q. Well, isn't that the same thing as compulsory savings?

A. No. I mean - well, all of these plans are forced loans. I mean they are all forced loans, and I have shied away from forced loans just as long as possible. I know that Senator George has one suggestion - there are many other suggestions - but naturally as chairman of the Finance Committee we will give more consideration to anything that he says than you would to any other Senator. But all of these, when
you get down to them, are one form or another of forced loans.

When you said the plan deserves study, you didn't mean that you favored it?

No, no. I meant because Senator George is chairman of the Committee we naturally would study it, but I don't mean by any means favor it. I want to continue doing the financing just as long as possible without forced loans; and just as long as the American public, American people, will lend me the money that I need each month on a volunteer basis, whether it is the bank or savings bank or a life insurance company or a trust, or a workman at a forge, just as long as I can get my four and a half to five billion dollars a month on the volunteer basis I would like to continue on that basis. That doesn't mean that I can continue indefinitely, but I would like to continue on that basis for the rest of
this calendar year.

Q.

That raises the question, Mr. Secretary, we have asked you before, of what has happened to the proposed test of voluntary savings as of July first, or as of the month of July.

A.

Well, you ask me that question a week from today when the returns are in, will you?

Q.

Gladly.

A.

All right, ask me a week from today. By that time we will all have a chance - the July figures will be in, and we will have a chance to study them. We will know then just what they are. O.K.?

Q.

Thank you, Mr. Secretary.
I have got nothing. The papers did very well by me this morning, War Bonds and financing, and everything else.

Any reports on the two and a halfs?

No. I doubt very much if we have--

How long are you going to keep the books open on that issue?

I am not ready to say.

It was two days, I think.

No, no, it was two weeks. We will give them a chance, anyway. They are very anxious to have us leave them open longer than we did last time.

You say you will?

No. This is what the Victory Fund Committee is asking. They are asking us to leave it open at least two weeks, or longer.
Q. And you agree with them?
A. No, I told them it depends upon how good they are at selling. Time will tell.

Q. Isn't your idea on that type of issue to shut down when subscriptions start tapering off?
A. That would be the idea, yes. I mean if it dwindles off there is no use keeping it open, but as long as the money flows in there is every reason to keep it open. As I say, the cash drawer will tell the story.

Q. Anything more on the certificates?
A. No. We will have something for you - I haven't asked anybody, am making up my own mind now - we will have something for you Wednesday afternoon for Thursday morning. That is without consulting everybody; I will pretend I am boss.

Q. You sold five-eighths, didn't you, the last time?
A. Pardon?

Q. Five-eighths?

A. I think that is what it was.

War Bonds are exhausted. They have nothing for today.

Q. Mr. Secretary, the other day a bank, a local bank here, said that it ordered two hundred pennies and was only able to get fifty to do its business. Is there a shortage in metal coins to that extent - I mean about one-quarter of the needs.

A. I will investigate. That is news to me. They wanted two hundred pennies?

Q. Two hundred dollars' worth.

A. You said two hundred pennies.

Q. And they were only able to get fifty dollars' worth.

A. I don't know. I will look into it, and whatever we find out Chick will tell you.
Q. They make deliveries twice a week. I think they did get it on the second delivery, but they couldn't get it on the first.

A. Thanks for the tip. They got it on the second delivery?

Q. Yes. I think they deliver Tuesday and Thursday.

A. It is the first I have ever heard it. It has been a wonder to me that I didn't hear it before because they have been going day and night on three shifts now for almost - certainly for six months or more.

Q. On coinage?

A. Coinage. They have been going day and night, and I have been praying that there would be no breakdown of machinery. I mean, we have just been lucky that this sort of thing hasn't happened.
Q. You mean in more cases?
A. In more cases.
Q. What happened to the new pennies and new nickels that we were going to have?
A. I don't know. Chick, supposing you scour around. I don't know what has happened. You can't ask me a question about a twenty-dollar bill, or something, sort of raise the limit? (Laughter)
Q. Mr. Secretary, Lauch Currie is in China. I wonder if that indicates additional financial help to the Chinese Government?
A. Not that I have heard of.
Q. There is some - they haven't taken down all the five hundred yet, have they?
A. No. It must be a matter of record, isn't it?
Q. The daily Treasury statement shows two hundred million - five hundred million placed at their credit.
A. That is all they have done, and the two hundred - and that two hundred is still in this country. I mean, they may have invested in Government Bonds - I am not sure - but with that exception--

Q. What we were told was that it was put to their deposit in New York.

A. They may have invested it. I understood they wanted to invest it in Government Bonds or bills. Whether they did or not I don't know. But certainly up to Saturday night the whole five hundred million was still in the U.S.A. If it isn't, I will let you know.

Q. He is not on Treasury business in China, then, that is, nothing to do - he may be helping with the monetary stabilization.

A. Let's put it this way: He went over for the President; the Treasury is part of
the President's business. So I don't want to exclude the Treasury. He went over on behalf of the President, and we are part of the President's business. He has been almost out of the economic field for a long time, hasn't he? No, no, he has sat in on a lot of conferences here at my request - a number of conferences. I would say distinctly the answer was no on that, as far as I am concerned. I have invited him in a number of times.

Would you make any comment on Senator George's statement of last week to the effect that some relief should be granted to corporate and individual shareholders in the form of deductions, which was somewhat along the lines of the memorandum prepared by Mr. Paul?
A. Corporate - I wouldn't want to get into that. Too much happens up there every day.

Q. How about individuals?

A. No, I might go off the deep end.

Q. Speaking of Mr. Paul, Mr. Secretary, will he handle both taxes and General Counsel?

A. Yes, and while he is on the Hill naturally he will leave it to someone to act for him.

Q. Well, is he going to deputize somebody to take over foreign funds?

A. There will be no change. The thing will be carried on just as though - Huntington Cairns has been acting as Acting General Counsel when the General Counsel was out of town, and the same arrangement will continue. There will be no change. It will be just the same
as always, except that they will have to work a little bit harder because the General Counsel will be on the Hill more. So they will have to just be a little bit busier. But you can do that where you have an organization as good as the General Counsel's is, the same people, more or less, that Herman Oliphant put there.

Q.

Thank you, Mr. Secretary.
I told you gentlemen that this Thursday we would have a report for you on War Bonds, and Mr. Tickton is prepared to talk. You can interrupt him at any point. He has copies of each of these charts for you. Sid, if you will do your stuff.

MR. TICKTON: These five charts have been designed to show the progress of the Savings Bond campaign and the progress of the pay-roll savings plan. There are sets of each of these charts and one table for each chart, so that all the figures that have been used in preparing these charts are in the tables that are attached to these charts. The first chart shows the total sales of Series E, F and G Bonds. F and G Bonds have been added together. For the month of July total sales were approximately
nine hundred million, of which some five hundred million represented E Bonds and the balance F and G Bonds. The level of sales can be compared, the 1942 level of E Bonds compared with 1941 level of E Bonds. Limit buying is evident in January when you have a considerably larger volume of both E and F and G Bonds. You have your F and G increase in July.

The second chart was designed to show the distribution of the Savings Bonds. We don't know exactly how many people own Savings Bonds, but we estimate something in the neighborhood of twenty million. However, this chart, broken down by denominations, indicates that there are approximately sixty-nine million pieces of savings bonds that have been sold since the Savings Bond program started.

During the month of July there were approximately eleven million pieces sold, of which
eight million two hundred and fifty thousand were twenty-five-dollar denominations. About six million eight hundred thousand were twenty-five-dollar denominations during the month of June. The high point reached in January in each of these denominations represents limit buying of Series E Bonds in January; that is, even in the twenty-five-dollar pieces there is some evidence of the fact that people buy their limit in small denominations.

The third chart shows the progress of the pay-roll savings plan since December. The first shows that there are approximately one hundred and twenty-one thousand firms that have the pay-roll savings plan. Those firms employ twenty-two million workers, and there are, in addition, some two million workers in Government agencies, Federal, State, and local Government agencies, that are also participating in the plan. Of the
twenty-four million persons working in the companies that have the plan, approximately eighteen million are actually participating in the plan; that is, those eighteen million actually have signed cards and have had funds deducted from their pay toward the purchase of War Savings Bonds.

This fourth chart breaks down the preceding chart, dividing the firms by size classes. Of firms with more than five thousand workers there are only four that don't have the plan, and practically all of them have come in under the plan. Of firms between five hundred and five thousand workers, there are approximately forty-five hundred in the plan out of five thousand in the plan out of six thousand. On this side we show the number of workers that are at work in the firms that have the plan. Down under a hundred, for example, there are over two million workers in
relatively small firms. They average about forty or fifty persons to a firm. The first chart shows the amount of money actually deducted under the pay-roll savings plan. The amount is a hundred and ninety million in the month of July and approximately one hundred fifty-three million during the month of June. Those deductions represent both the increase in the number of persons actually participating and the increase in the deduction, that is, the percentage of the pay of the workers actually participating. That deduction amounted to approximately six percent during the month of July on the wages of the eighteen million workers actually participating in the plan. All of these figures that I have mentioned are in these tables, one table for each chart.

H.M.JR: That is the story, gentlemen.
Q. That being more or less self-explanatory, could we proceed to a favorite Congressman? (Laughter)

Q. A neighbor of yours, I understand.

A. Pardon?

Q. Isn't he a neighbor of yours?

A. No, there is a river that flows between us - quite deep, too. (Laughter)

Q. Did you deny he is your favorite Congressman?

Q. I know today isn't Friday, but have you got any fish to fry? (Laughter)

Q. Mr. Secretary, to make it on a formal basis, will you comment on reports that the Treasury is investigating or having some difficulty with Mr. Hamilton Fish on his income tax?

A. Being a very law-abiding citizen, I live up to the law covering information on income taxes, and therefore I can't comment on the story in the Post. I will have to refer--

Q. No denial or confirmation?
Q. No comment at all?
A. No comment at all. I refer you to Mr. Stokes - I think that is the gentleman's name.

Q. Well, where a man's reputation is being jeopardized by a story like that, I think the Treasury should say something, Mr. Secretary. I mean, here they make direct charges against a Representative in Congress. I know how you feel about the law, but couldn't you say something about it, deny it or confirm it or issue a statement?
A. No. I went all through that for about two years with regard to another gentleman, you may remember, and I never confirmed or denied any stories.

Q. Well, could you say this, is the Bureau of Internal Revenue examining Mr. Fish's 1939 income tax returns?
A. I am not going to answer that question.

Q. Mr. Secretary, the Star this morning got a statement from Mr. Fish. I don't know whether it was issued in New York or sent directly to the Star, in which he explained that about a year and a half ago he sent a letter to the Treasury explaining that he had received this twenty-five thousand dollars from Trujillo to make some oil investments; that he invested about half of the money and lost that, and then turned back the other half. Was such a letter received?

A. Well, I don't know. I would have to - without questioning you, I mean - you understand that I am sure what you say is right, but a statement from Mr. Fish to the Star, as reliable a paper as the Star is, wouldn't be enough for me to go out and answer it. I mean, after all, I am here, have got a telephone - it is not very busy - the mail service, and
if Mr. Fish wants to communicate with me directly he can do so.

Q. Couldn't you make all the facts public on the case - I mean his income tax return, all that data, just to clear up the situation like this?

A. Under the law I am not permitted to. I mean, it says very specifically what I can do about any taxpayer - very specifically - and under the law Mr. Fish, Mr. Brown or Mr. Jones, or anybody else--

Q. You mean under the law you are not permitted to? I am not familiar with the law.

A. Well, it isn't a question of comment. Under the law I am not permitted to give information in regard to anybody's income tax.

Q. But you do publish the earnings.

A. At the direction of the Congress. The salaries, you mean?

Q. Yes.
A. The Congress directs me to do it - I mean I
don't want to be - Congress makes the law.
Now, on the other hand, I can under the law -
I am directed under the law to appear before
a joint committee, the Finance and Ways and
Means, and furnish them with any information,
the way I did a month ago, you remember, in
regard to some companies.

Q. If Mr. Fish received this money for investment
he should have registered it under the Se-
curities and Exchange Act of 1934, as a
dealer in securities or as an investment
counselor.

A. That is very interesting.

Q. That is true.

A. Very interesting.

Q. Would a statement, Mr. Secretary, that the
Treasury through its Bureau of Internal
Revenue is examining Mr. Fish's income tax
be a comment on Mr. Fish's income tax
itself?
Well, as long as I have been here I have never made any - we have had, I mean - leaving Mr. Fish aside, you know we have had a number of very important income tax cases, and during that whole time, as long as I have been here and we have had those cases, until the man was found guilty or innocent by the court I never made any statement. I think that every taxpayer has the right to be considered innocent until the court, if it is a criminal case, or if it is a civil case the Treasury, says that he owes an amount of money. Until that time it has been the policy, and I believe it is carrying out the spirit of the law, I have refrained from making any comments; and I think it is a good law.

Recently you disclosed the facts in the Bremner case.

Bremner case?
Well, as long as I have been here I have never made any - we have had, I mean - leaving Mr. Fish aside, you know we have had a number of very important income tax cases, and during that whole time, as long as I have been here and we have had those cases, until the man was found guilty or innocent by the court I never made any statement. I think that every taxpayer has the right to be considered innocent until the court, if it is a criminal case, or if it is a civil case the Treasury, says that he owes an amount of money. Until that time it has been the policy, and I believe it is carrying out the spirit of the law, I have refrained from making any comments; and I think it is a good law.

Q. Recently you disclosed the facts in the Bremner case.

A. Bremner case?
Q. Yes, this man who was mixed up in the Teapot Dome scandal.

MR. SCHWARZ: That was Blackmer, foreign funds.

H.M. JR: That wasn't an income tax case. That was foreign funds.

Q. Yes, but Fish's money is foreign funds, isn't it? (Laughter)

A. Nick, you are good today, but not good enough to blow off the lid as far as I am concerned. Really, gentlemen, it is a waste of time, because I have been through this now for eight or nine years, and I have refrained - I don't blame you for trying it, but I just cannot help you out.

Q. Well, are Trujillo's funds under direct Treasury supervision now, the three hundred thousand he has in National City Bank? Is that under the freezing order? Is it subject to the Treasury supervision?

A. Well, the question that I would have to
ask is - I doubt that the funds of his country are frozen.

Q.

Not frozen, but you have to get an order to get money out of this country.

A.

No, you don't.

Q.

I believe you do.

A.

No, you are wrong. Let's take Cuba, for instance. If a Cuban citizen wants to draw a hundred thousand dollars on the National City Bank and transfer it to the National City Bank of Havana, he doesn't need any order. We have no monetary restrictions except against enemy countries or countries which are overrun by enemies. I mean there is no--

Q.

You mean a citizen--

Q.

Or individuals believed the agents of enemy countries.

A.

All right, but you take South America. Generally, as far as I know, there is
absolutely no restriction of funds between - or Central or South America or Canada, you can draw any money you want. You can take money from this country to Canada.

Tell me this, Mr. Secretary, if I was a citizen of the Dominican Republic and I had on deposit three hundred thousand dollars in the National City Bank and I wanted to withdraw some, would the National City Bank report that to the Federal Reserve Board of New York, which would in turn report it to the Foreign Funds Control?

I don't think so. I will check up on it, but I don't think so. I think you are wrong. I mean they are friendly countries, and I don't think that they would. If I am wrong - we will check within five minutes and we will phone down to the press room.

Perhaps legally not, but you do watch these things.
Q. At this conference recently, this Pan American conference, did they not decide to do just that? That is, keep a record of all such transactions with Latin America made through central banks?

A. Again I think for enemy aliens.

Q. No, I think it was for everybody.

A. Well, as soon as I can get Bernstein I will ask him, or Pehle.

Q. Would you do that?

A. Sure, in five minutes. You (Schwarz) ask Pehle or Bernstein and phone it down to the boys, and let me know, too.

Q. Can you get it now?

A. It just prolongs this thing. You can go down and see him in his office if you want to.

Q. If Congress should ask you to reveal any facts about Mr. Fish's income would you then be free to do so, or would it take legislation?
A. I don't know. I would have to ask my General Counsel. I don't know. I think they would have to change the law. The Joint Committee on Taxation could call me up before them and ask me any questions that they want to. They can do that at any time. I mean the Joint Committee on Taxation, Ways and Means and Finance, if they want to call me up they can ask me any questions that they want to. I mean that is their privilege. That was the purpose of that committee. Now, having thoroughly satisfied you all on that matter--

Q. Yes, sir, thank you, Mr. Secretary.

Q. Could we take some of these (indicating charts)?

A. Yes, I hoped you would.
Sales of United States Savings Bonds
Monthly, May 1941 to July 1942
(In millions of dollars)

<table>
<thead>
<tr>
<th>Month</th>
<th>Series A</th>
<th>Series F &amp; G</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>100.6</td>
<td>249.2</td>
<td>349.8</td>
</tr>
<tr>
<td>June</td>
<td>102.5</td>
<td>212.0</td>
<td>314.5</td>
</tr>
<tr>
<td>July</td>
<td>145.3</td>
<td>196.9</td>
<td>342.1</td>
</tr>
<tr>
<td>August</td>
<td>117.6</td>
<td>148.0</td>
<td>265.6</td>
</tr>
<tr>
<td>September</td>
<td>105.2</td>
<td>127.1</td>
<td>232.3</td>
</tr>
<tr>
<td>October</td>
<td>122.9</td>
<td>147.9</td>
<td>270.7</td>
</tr>
<tr>
<td>November</td>
<td>109.5</td>
<td>124.0</td>
<td>233.5</td>
</tr>
<tr>
<td>December</td>
<td>341.1</td>
<td>167.5</td>
<td>508.6</td>
</tr>
<tr>
<td>1942</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>667.4</td>
<td>393.2</td>
<td>1,060.6</td>
</tr>
<tr>
<td>February</td>
<td>398.0</td>
<td>305.2</td>
<td>703.2</td>
</tr>
<tr>
<td>March</td>
<td>337.6</td>
<td>220.3</td>
<td>557.9</td>
</tr>
<tr>
<td>April</td>
<td>326.7</td>
<td>203.8</td>
<td>530.5</td>
</tr>
<tr>
<td>May</td>
<td>421.8</td>
<td>212.6</td>
<td>634.4</td>
</tr>
<tr>
<td>June</td>
<td>433.2</td>
<td>200.7</td>
<td>633.9</td>
</tr>
<tr>
<td>July</td>
<td>508.1</td>
<td>392.7</td>
<td>900.9</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, August 5, 1942.
Division of Research and Statistics.

Note: Figures are rounded to the nearest million and will not necessarily add to totals.
Number of Series E Savings Bonds of Each Denomination
Sold Monthly, May 1941 to July 1942

<table>
<thead>
<tr>
<th>Denomination</th>
<th>$25</th>
<th>$50</th>
<th>$100</th>
<th>$500</th>
<th>$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1941</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>336</td>
<td>162</td>
<td>259</td>
<td>54</td>
<td>65</td>
</tr>
<tr>
<td>June</td>
<td>431</td>
<td>192</td>
<td>293</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>July</td>
<td>530</td>
<td>239</td>
<td>388</td>
<td>81</td>
<td>88</td>
</tr>
<tr>
<td>August</td>
<td>553</td>
<td>238</td>
<td>355</td>
<td>64</td>
<td>65</td>
</tr>
<tr>
<td>September</td>
<td>595</td>
<td>246</td>
<td>351</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td>October</td>
<td>700</td>
<td>267</td>
<td>379</td>
<td>64</td>
<td>62</td>
</tr>
<tr>
<td>November</td>
<td>725</td>
<td>262</td>
<td>360</td>
<td>57</td>
<td>53</td>
</tr>
<tr>
<td>December</td>
<td>2,661</td>
<td>1,062</td>
<td>1,284</td>
<td>216</td>
<td>181</td>
</tr>
<tr>
<td><strong>1942</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>3,846</td>
<td>1,469</td>
<td>1,602</td>
<td>370</td>
<td>355</td>
</tr>
<tr>
<td>February</td>
<td>2,807</td>
<td>880</td>
<td>1,152</td>
<td>183</td>
<td>167</td>
</tr>
<tr>
<td>March</td>
<td>3,529</td>
<td>901</td>
<td>1,056</td>
<td>151</td>
<td>122</td>
</tr>
<tr>
<td>April</td>
<td>4,055</td>
<td>946</td>
<td>1,074</td>
<td>145</td>
<td>116</td>
</tr>
<tr>
<td>May</td>
<td>5,618</td>
<td>1,258</td>
<td>1,357</td>
<td>172</td>
<td>130</td>
</tr>
<tr>
<td>June*</td>
<td>6,808</td>
<td>1,350</td>
<td>1,347</td>
<td>153</td>
<td>111</td>
</tr>
<tr>
<td>July*</td>
<td>8,268</td>
<td>1,599</td>
<td>1,552</td>
<td>188</td>
<td>142</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury,
Division of Research and Statistics. August 5, 1942.

* Preliminary.
### Extent of Participation in Payroll Savings Plans for War Savings Bonds

**Estimated: Monthly, December 1941 - July 1942**

<table>
<thead>
<tr>
<th></th>
<th>1941</th>
<th></th>
<th>1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Number of firms with plans</td>
<td>9,939</td>
<td>17,513</td>
<td>24,480</td>
</tr>
<tr>
<td>(Numbers are units)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Workers in firms and government agencies with plans:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Firms</td>
<td>3.2</td>
<td>9.2</td>
<td>14.2</td>
<td>16.7</td>
<td>19.2</td>
<td>20.5</td>
<td>21.3</td>
</tr>
<tr>
<td>b. Government agencies</td>
<td>-</td>
<td>0.6</td>
<td>0.9</td>
<td>1.4</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>c. Total</td>
<td>3.2</td>
<td>10.5</td>
<td>15.1</td>
<td>18.0</td>
<td>20.7</td>
<td>22.0</td>
<td>22.8</td>
</tr>
<tr>
<td>(Numbers are millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III. Workers actually participating in payroll savings plans:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. In participating firms</td>
<td>0.7</td>
<td>3.7</td>
<td>7.2</td>
<td>9.0</td>
<td>10.9</td>
<td>13.2</td>
<td>15.0</td>
</tr>
<tr>
<td>b. In participating government agencies</td>
<td>-</td>
<td>0.1</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>c. Total</td>
<td>0.7</td>
<td>3.8</td>
<td>7.6</td>
<td>9.6</td>
<td>11.6</td>
<td>13.9</td>
<td>16.0</td>
</tr>
<tr>
<td>(Numbers are millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

August 5, 1942.

1/ Excludes Government agencies.

Note: Figures in millions are rounded to the nearest million and will not necessarily add to the totals.
Progress of Payroll Savings Plans for War Savings Bonds
Estimated: Monthly, December 1941 to July 1942

<table>
<thead>
<tr>
<th></th>
<th>1941</th>
<th>1942</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>participating:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Firms with 5,000</td>
<td>100</td>
<td>355</td>
<td>444</td>
<td>467</td>
<td>470</td>
<td>477</td>
<td>477</td>
<td>481</td>
</tr>
<tr>
<td>or more workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Firms with 500-4,</td>
<td>430</td>
<td>1,622</td>
<td>2,780</td>
<td>3,674</td>
<td>4,573</td>
<td>4,768</td>
<td>4,996</td>
<td>5,099</td>
</tr>
<tr>
<td>999 workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Firms with 100-499</td>
<td>3,495</td>
<td>7,059</td>
<td>11,172</td>
<td>13,770</td>
<td>16,216</td>
<td>18,169</td>
<td>19,718</td>
<td>21,028</td>
</tr>
<tr>
<td>workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Firms with under</td>
<td>3,914</td>
<td>8,377</td>
<td>20,080</td>
<td>32,209</td>
<td>50,427</td>
<td>67,006</td>
<td>82,948</td>
<td>95,275</td>
</tr>
<tr>
<td>100 workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of firms</td>
<td>9,939</td>
<td>17,513</td>
<td>34,460</td>
<td>50,120</td>
<td>71,686</td>
<td>90,418</td>
<td>108,099</td>
<td>121,893</td>
</tr>
</tbody>
</table>

| Number of workers in |      |      |          |          |          |          |          |          |
| firms participating: |      |      |          |          |          |          |          |          |
| (Numbers are units)  |      |      |          |          |          |          |          |          |
| 1. Firms with 5,000  | 1.6  | 5.8  | 7.3      | 7.6      | 7.7      | 7.8      | 7.8      | 7.8      |
| or more workers      |      |      |          |          |          |          |          |          |
| 2. Firms with 500-4, | 0.6  | 2.2  | 3.6      | 5.0      | 6.4      | 6.5      | 6.7      | 6.8      |
| 999 workers          |      |      |          |          |          |          |          |          |
| 3. Firms with 100-499| 0.8  | 1.7  | 2.6      | 3.2      | 3.8      | 3.3      | 4.6      | 4.9      |
| workers              |      |      |          |          |          |          |          |          |
| 4. Firms with under  | 0.2  | 0.2  | 0.5      | 0.6      | 1.3      | 1.9      | 2.2      | 2.3      |
| 100 workers          |      |      |          |          |          |          |          |          |
| Total number of      | 3.2  | 9.9  | 14.2     | 16.7     | 19.2     | 20.5     | 21.3     | 22.0     |
| workers /            |      |      |          |          |          |          |          |          |

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

August 5, 1942.

1/ Excludes Federal, State and local governmental organizations and their employees.

Note: Figures in millions are rounded to the nearest million and will not necessarily add to the totals.
Estimated Deductions From Payrolls For Purchase of War Savings Bonds, Monthly
December 1941 - July 1942

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Aggregate amount deducted (in millions of dollars)</th>
<th>Deduction as a percentage of pay of workers actually participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>December</td>
<td>$5</td>
<td>4.1%</td>
</tr>
<tr>
<td>1942</td>
<td>January</td>
<td>28</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>58</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>78</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>96</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>126</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>153</td>
<td>5.8</td>
</tr>
<tr>
<td></td>
<td>July*</td>
<td>190</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. August 5, 1942.

*Preliminary
SALES OF UNITED STATES SAVINGS BONDS
Monthly, May 1941 to July 1942
NUMBER OF SERIES E BONDS
OF EACH DENOMINATION SOLD MONTHLY
May 1941 to July 1942

$25 DENOMINATION

$50 DENOMINATION

$500 DENOMINATION

$100 DENOMINATION

$1,000 DENOMINATION
EXTENT OF PARTICIPATION IN PAYROLL SAVINGS PLANS FOR WAR SAVINGS BONDS
Estimated: Monthly, Dec. 1941 to July 1942

1942

FIRMS
Thousands

Firms with Plans


0 25 50 75 100 125

WORKERS
Millions

Workers in Firms and Government Agencies with Plans

In Participating Government Agencies

In Participating Firms


0 10 20 30

WORKERS
Millions

Workers Actually Participating

In Participating Government Agencies

In Participating Firms


0 4 8 12 16 20
EXTENT OF PARTICIPATION IN PAYROLL SAVINGS PLANS FOR WAR SAVINGS BONDS
Estimated: Monthly, Dec. 1941 to July 1942

1942

FIRMS Thousands

Firms with Plans

0 25 50 75 100

DEC. JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT.

WORKERS Millions

Workers in Firms and Government Agencies with Plans

In Participating Government Agencies

In Participating Firms

0 10 20 30

DEC. JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT.

WORKERS Millions

Workers Actually Participating

In Participating Government Agencies

In Participating Firms

0 4 8 12 16

DEC. 1941 FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. 1942
PROGRESS OF PAYROLL SAVINGS PLANS
FOR WAR SAVINGS BONDS
Estimated: Monthly, Dec. 1941 to July 1942

NUMBER OF FIRMS

<table>
<thead>
<tr>
<th>Firms, Under 100 Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms, 100-499 Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms, 500-4,999 Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms, 5,000 or more Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NUMBER OF WORKERS

<table>
<thead>
<tr>
<th>Workes, Under 100 Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms, 100-499 Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms, 500-4,999 Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firms, 5,000 or more Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ESTIMATED DEDUCTIONS FROM PAYROLLS FOR PURCHASE OF WAR SAVINGS BONDS
Monthly, December 1941 to July 1942

Aggregate Amount Deducted

DOLLARS
Millions

PERCENT

DOLLS
Millions

DEC. JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT OCT.

Deduction as a Percentage of Pay of Workers Actually Participating

PERCENT

DEC. JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT OCT.

Office of the Secretary of the Treasury
Division of Research and Statistics
H.M. JR: Those of you who are interested in the Treasury financing, the two percent Treasury notes maturing September 15, 1942, amounting to three hundred and forty-two million dollars we propose to pay off when they mature. The seven-eighths percent RFC notes due October 15, 1942, three hundred and twenty million dollars will be paid off on maturity.

Q Two percent are Treasury?

A The two percent are Treasury notes maturing September 15, 1942, and the RFC notes due October 15, 1942, three hundred and twenty million dollars.

Q Presumably there will be other financing meanwhile, from which you will get the money to pay these off.

A Well, there will be in September.

Q But there won’t be a direct exchange?

A No, these will be paid off in cash. It will be in September. They better had be.
And then this other thing, we are trying an experiment. I don't know whether you men want to use it or like it. It was interesting to me. This is a breakdown on the two and a half percent, so called, tap issue. It shows how many we sold in each District, how much and how many insurance companies, savings banks, individuals, and all others, a total of nine thousand three hundred and fifty-seven purchasers. We have never done this before, and I thought it might be interesting to the financial community. Who is the senior man?

Q

No officers are present. You don't have any copies of this?

A

If you want them, Chick can have them made for you.

Q

I think that would be better than trying to share a complicated table like that.
A: You can get it for them in fifteen minutes, have it photostated.

MR. SCHWARZ: Yes.

H.M., JR.: I don't know whether it will interest you; it interested me.

Q: Yes.

A: That is all I have to offer.

Q: Are you going to make your War Bond quota this month, Mr. Secretary?

A: No.

Q: Why?

A: I don't know. Ask the American public that question.

Q: Is there anything you can say about plans for the future in view of the failing to make the quota three months running?

A: No. No, after all, War Bonds are contributing about one-sixth of the new money I am raising each month. Take that tap
issue, the most anybody hoped to sell was a billion dollars, and we sold about a billion and a quarter; so in that case we went almost two hundred and fifty million dollars over our quota.

Q

Does this bring us closer to forced savings?

A

Not necessarily. The same on the issue, the sale of the certificates; forty-eight percent allotment was better than what we thought. I know that you gentlemen know this, but the tap issue was sold to non-banking sources, so I mean it isn't a--

Q

Well, are you going to continue fixing quotas for War Bonds?

A

For the time being.
But you are considering a lowering of them?

No. No, I haven't any plans right now. We will just keep on offering them to the public. We will see what the public does about it. But the point I am trying to make is that in a program of four or five billion dollars a month, the War Bonds is only one section of my financing; and the over-all picture, I think, as far as the Treasury financing is concerned - I mean I have been raising the money without breaking any blood vessels. "Bursting" blood vessels, I suppose, is better.

Does the boutonniere have any particular significance?

Yes. When I was down at Roanoke a young lady came along and asked if I didn't want one. I said, "Yes." She said, "All right, it will cost you a dollar." (Laughter)
I thought they were presenting me with one.

Q

Are they stamps?

A

Stamps, yes.

Q

Aren't you forbidden by law to buy Treasury securities? (Laughter)

A

Yes, I am. I don't think the law applies to stamps, but when you are in the position that I was in you give them the dollar and hope that nobody will prosecute you.

(Laughter) Having a big crowd around me watching what I was doing - it was kind of a trap set for me. (Laughter)

Q

The price was cheap.

A

I think if I had said, "No, I haven't got the dollar" - I am afraid I never would have been asked back again.

Q

Mr. Secretary, I was just reading the statement Mr. Paul put out on the Rumal plan.
He said that without certain changes which have been suggested by the Treasury the plan would be wholly unacceptable. With those changes does the Treasury approve it?

A
Well, you have the advantage of me. I have not seen Paul's statement. Did he give out a statement?

Q
Yes, sir.

MR. SCHWARZ:
The Committee gave it out.

H. M. JR.:
Don't help me out. (Laughter)

Do you want me to send for Mr. Paul?

Q
It would be helpful if we had the answer to that question. There has been a good bit of speculation as to whether the Treasury would or would not.

A
Mr. Paul is on the Hill, I am very sorry.

(Discussion off the record)
H.M.JR: I hope some day - this is off the record - somebody will tell you fellows what is really behind the Ruml plan.

Q Can't you tell us?

A No.

Q Will you some day?

A Well, I am talking here off the record. I mean the plan - the thing is designed to help a few people, and if a company wants to retire a couple of executives this year, at the end of this year they find it is very embarrassing because the men next year won't be earning the money to pay the taxes on this year's salary. So if they can say to the executive, "Well, now, the taxes you are paying this year are on this year's salary," and he goes off their payroll at the end of this year, they have no problem, and he has no problem. I understand that - I am talking here, not for the record - but a department store wants to retire a couple of high-priced executives, this
would be very helpful.

Q

Quite a coincidence that Mr. Kuml is associated
with a store.

A

Well, it is a peculiar coincidence, but to me
it is rather disgusting.

Q

Well, Mr. Paul suggested a plan to the Senate
Finance Committee which would prevent any sub-
stantial windfall to anyone.

A

That is right.

Q

Well, with that incorporated in the plan, do you think this objection--

A

Well, whatever Paul recommended, I mean he
told me, generally, what he was going to do when
he was at the house Saturday afternoon, what-
ever he recommended he was talking for me, but
what he recommended knocks out these high-
priced fellows, and so no one is interested in
what the Treasury has to recommend because it
doesn't take care of these special cases.

Q

Well, there has been a good bit of interest
among - is that on the record?

A

No.
Q: There has been a good deal of interest in that among the committee members up there.

A: Well, I don't think - I don't believe that they know. I mean I don't believe that they realize what is behind this, but I am not talking through my hat, but I am sure that they won't like it. I mean, our plan won't get anywhere because it doesn't take care of these special cases.

Now, for the person of moderate means, there is a distinct advantage if the taxes you were paying this year were on this year's income, because, I mean, as the taxes get stiffer it is going to be more and more difficult to always be paying taxes on last year's income. But I think you will find that Mr. Paul's recommendations get nowhere, because, as I say, they don't take care of these special cases.

Q: Well, the Clark Subcommittee is recommending some variation of the Ruml plan to the full committee.
A  Well, I don't know. I haven't seen Paul all day. He left here at half past nine. I haven't been in communication with him since. I don't know. But that is just for your edification. O.K.?

Q  It is right edifying.

A  Edifying and disgusting.

Q  Thank you, Mr. Secretary.
SECRETARY MORGENTHAU'S PRESS CONFERENCE
August 27, 1942

H.M.JR.: I wish I had a good hot story, but, anyway, I haven't any.
Q How about financing? Is there anything on that coming up the first of September?
A We will start working on it next week - in fact, are working on it now.
Q Can we expect an announcement next week?
A They used to say "death and taxes"; now you can say, "death, taxes and financing." You can add that. Well, we will do the financing some time shortly after Labor Day.
Q Can you give us an idea of the amount, sir?
A A little early. I can give it to you next week.

Yes, sir. What else?
Q Have you got a statement to make on the defeat of the Ruml plan, Mr. Secretary?
Q They threw out both the Ruml and the Paul plans. (Laughter)

Q That is right, too.

A No. I think that there is something happening every day. For your guidance, I am pleased the way the Senate Finance Committee is doing. I think they are doing a good job for us. They are doing all right. They did give us the five percent deduction at the source.

Q The same as in the House.

A Yes. They are doing all right.

Q You wouldn't observe that it is unfortunate, perhaps, that some plan that achieves such popularity couldn't be adopted in some way - the first time the taxes, any form of taxes, got public attention on the affirmative side?

A No.

(Discussion off the record)
A: I was going to say, not on the record, that the fact that it was so popular might prove that it was bad.

(Resumed discussion on the record)

A: No. Look at all my suggestions and how unpopular they are and how good they are, and I don't get anywhere, like oil well depletion, joint returns, community property, so forth and so on.

Q: They did give you a piece of the State and local issues?

A: Yes, that is the first step. If that sticks, that will be very helpful because most States and municipalities are refunding now.

Q: Don't you think the public would very much like to catch up with their income tax, Mr. Secretary - a general relief scheme?

A: We were willing to do it for the man of moderate income, but if you skip it this
year, why not skip it next year?

Could they take 1942, perhaps, instead of 1941? Going to make things easy for myself.

Mr. Paul made a suggestion that we thought was all right, but they did not seem to go like that. I think if a person could pay his taxes currently it would be a good thing, but we tried to make a suggestion which we thought would be all right; but they did not like that. So there we are. So all will

That is all I have.

Thank you, Mr. Secretary.

That is the spending tax plan?

Yes, and then he will come back to the Treasury and will be very glad to sit down with you gentlemen and go over it with you in full.

Can we meet on that tomorrow?

You can count on that. If he is given the opportunity to present it to the Committee, just as soon as he presents it to the
H.M.JR.: I am going to make things easy for myself, as far as the press conference is concerned. As far as Mr. Ruml's tax plan is concerned, I am going to ask you to wait until tonight until Mr. Paul goes on the radio.

(Discussion off the record)

As far as what Senator George said about the Treasury having the plan, Mr. Paul will present it tomorrow in executive session, and then--

Q

That is the spendings tax plan?

A

Yes, and then he will come back to the Treasury and will be very glad to sit down with you gentlemen and go over it with you in full.

Q

Can we count on that tomorrow?

A

You can count on that if he is given the opportunity to present it to the Committee. Just as soon as he presents it to the
Committee he will come down here.

Q
Is that on the record, this schedule?

A
What do you think?

Q
I don't know. I mean Senator George has already made a statement that there is such a proposal.

A
What do you want to put on the schedule?

Q
I mean to say that the details in the spendings tax are scheduled to be presented to the Committee tomorrow and made public thereafter.

A
That isn't for me to announce. I was just trying to be helpful. So I would say the answer is it is not on the record. I was just trying to be helpful.

Q
O.K.

(Question not on the record)
(Resumed discussion on the record)

H.M.JR:
That saves me a lot of work.

Q
I wasn't here at several press conferences. I was wondering--
Committee he will come down here.

Q  Is that on the record, this schedule?
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(Resumed discussion on the record)

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Q  O.K.

(Resumed discussion on the record)

H.M.JR:  That saves me a lot of work.

Q  I wasn't here at several press conferences. I was wondering--
Where were you?

I was down working late. I was wondering whether you couldn't make public your criticism you have made off the record, Mr. Secretary, for the record.

No.

But the Senate Committee always seems to, if you have a plan, criticize it openly, and I am just wondering why you don't criticize the Huml plan openly - that is, besides Paul's address tonight.

Paul is speaking for me and the Treasury. I mean, whatever he says, he is speaking for me. This is a strictly tax matter, so he is going to present the Treasury's viewpoint, that is all, just the same as he does on the Hill.

Any news on financing?

Not today, no. We are all exhausted around
here after the show. (Laughter)

Q
Do you know how many bonds were sold today?

A
No, I haven't heard. Do you know?

MR. CALLAHAN:
No. We will find out by five-thirty, and we will let you know. They are counting them up now.

Q
Has a quota been set for September?

A
I am sure there has been, but they have not told it to me.

Q
They said a billion dollars down on the platform.

A
Did they? I doubt that. I doubt it. But that is all, gentlemen, I am sorry. You will have to be a little patient.

Q
Mr. Secretary, are the Customs guards on the Mexican border going to do the job for the WPB of stopping black market silver from coming in?
A  I don't know. We will have to find out
   for you. I have not heard about it. You
   mean have we had a special request?

Q  Yes. I was wondering about that because
   it is selling for sixty-five cents in
   Mexico now.

A  Well, they handle that as a routine matter,
   just the way they do any currency or gold or
   silver coming in.

Q  Has the Mexican Government complained about
   that black market to you?

A  Not to me, no.

Q  I see in your speech, Mr. Secretary, that
   you say you expect during 1943 that nearly
   five billions worth of war bonds will be
   purchased through pay-roll savings. That
   does not mean that that will be the outside
   limit?

A  In my speech?

Q  Yes, the ABA message.
A: Let me see it. I had forgotten about it. That is about two weeks old - three weeks old. Just talking about pay rolls?

Q: Yes.

A: That is just pay rolls. That does not take care of the F and G's or the investors or trusts, and so forth, and so forth. But thanks for bringing it to my attention.

O.K.?

Q: Thank you, Mr. Secretary.
What have you all got?

That is our question, Mr. Secretary.

I have nothing.

Mr. Secretary, what do you think of Senator George's Victory Tax program?

It doesn't do the job.

Why?

It doesn't take care of the gap between the amount of money the people have in their pockets and the amount of goods that they can buy.

Would the spendings tax?

Yes, it would go a long ways towards it.

It wouldn't, naturally, take up the whole, whatever it is - some twenty to thirty billions - but we here, after months and months of very careful study, arrived at that plan. We feel, and as far as I know all of the agencies here in Washington feel--
Q: What did you say that gap was, Mr. Secretary?
A: Between twenty to thirty billion, depending on who does the estimating.
Q: The spendings tax raises six and a half, and the Victory Tax about three and a half, is that right?
A: Yes, but that is the least of it. The spendings tax does two things. It brings in the six and a half billion dollars, but it is a strong deterrent to spend money and encourages the man or woman to save and to invest it in Government securities. We feel that that is what is going to have to be accomplished sooner or later. We may not get it in this bill, but I am confident that before very long we will get something that approaches it pretty closely.
Q: Do you mean, Mr. Secretary, then that if the spendings tax or some idea along that line is not in this bill you may go back at some later
time, next year perhaps, with a tax plan along that idea?

Very, very definitely.

Would you say it were possible to propose a tax containing the idea and the theory of the spendings tax which would not have some of the complications which the spendings tax has?

Of course we don't think it is complicated.

I didn't say it was complicated.

You said "some of the complications."

Yes.

Well, if we had had anything simpler we would have proposed it. Now, this was not arrived at hastily. This was arrived at very, very carefully, after consulting, as I say, all the agencies in town that in any way had anything to do with taxation.

The criticism was made in regard to its complicatedness, I think, on two points - I mean two parts of the bill, and on the point,
chiefly, that you have tried very hard to get a lot of small bits of equality which weren't actually there in the first place - in the first part where you have an exclusion for one part and an exemption for another, and in the second part where you have this per capita business in connection with the family, and adding and dividing.

I know, the way you say it, it sounds terrible; but when it is on the blank, on the form of the blank, we don't think it would be - we think a person that goes through the eighth grade ought to be able to figure it. But, as I say, it is very easy to take any new proposal - I blame myself for only one thing, that we couldn't come to that conclusion several months ago to give the people ample time to digest it and think it over and talk about it. But unfortunately, hard as everybody worked here, we did not get the answer until
the very minute that we suggested it. As you gentlemen, and lady, know, we had to ask for three postponements. We were supposed to go up Monday and we could not; but we weren’t able to polish the thing off so it was satisfactory until about ten or eleven o’clock Wednesday night, the night before I appeared. It would have been much better if we could have had this thing a couple of months ago, but we were not able to; so we did it, and there it is.

Some have criticized the spending tax as in effect a sales tax in reverse. Would you mind commenting on that?

No. No, I am not going to comment on that.

Mr. Secretary, in the spending tax you came around to what is in effect a type of forced savings. Is that an admission of voluntary sales not doing the job which some had hoped previously?

I have not the language here, but, if you
don't mind, I will ad lib and then I would like to have them look up the language in my statement, because every word, after all, is - I mean I think we said "added to" or "a supplement" to the voluntary.

**MR. SCHWARZ:** Supplement.

**H.M. JR.:** It was some other word which we used which was very carefully chosen. But the answer was that we said we would go through July and see what the volunteer plan would do, and then we waited through August, and by the end of that time I would - I said that when you considered the rate of the spending for the war effort is going ahead so very, very fast, which I was delighted that it was, and would continue to go ahead so fast that we could not possibly keep up with it, and convert the people, or let them convert themselves, to a volunteer plan sufficiently fast to keep up with the spending. Now, the pay-roll deduction plan
is going along, it is increasing each month; and as fast as it can be explained, as fast as businesses can get the machinery in to handle the stuff, on top of everything else, it is going ahead. But the answer is it is not going ahead fast enough in sufficient volume to keep up with this vast spending, and therefore I came to the conclusion, as I said, that we had to - I want to get the word, I forget what it was--

MR. SCHWARZ: I will check it.

H.M. JR: If you don't mind. I used a sentence there which I would like to have, if you don't mind, you quote me on. We decided that the thing had to be added to, that we had to add to the plan. Will you get that?

MR. SCHWARZ: Yes.

H.M. JR: Does that take care of you?

A I think so, for the time being.
Mr. Secretary, aside from asking about the merits or demerits of forced saving, the Treasury is spending at the rate of about five billion, and going to six billion at the end of the year. If it reaches its peak of six between December and the following - this next December and December '43 - you would have to spend seventy-two billions of dollars, of which, if you had the full tax program--

The figure I used was eighty - approximately eighty for this fiscal year, using the Budget figure of seventy-seven and adding three to round it out, because it will be about eighty. Then if revenues were twenty-seven, that will leave fifty-three billions of dollars to be financed.

Those figures should be around fifty.

And deduct twelve, if you held your full quota, and that will leave you thirty-eight.

That is right.
Q: Now, people are alarmed about this sale of this huge amount of bonds to banks. You saw what I said in my statement. I saw what you said, but I am coming to the point as to whether there is going to be any drastic changes in the financing of this large deficit, even if you had reached all these quotas, peak revenue, and so forth. (Discussion off the record.)

A: Now, look, I am going off the record, and I am very serious. Supposing I had a plan, let's say, and I answered your question in the middle of a financing today, where I am trying to raise three billion dollars, and I said I am not going to continue this way, that I am going to do something else. Let's go the extreme. I mean I am going to get out a non-interest-bearing security, I am not going to pay the banks anything, and supposing in the middle of a financing, trying
to raise it today - in my business I can't - I am like an airplane going at full speed, and if the engine stops it falls, and this is one place - you can't sit around here for six months figuring how to make a rubber tire, whose fault it is, and whose fault it is we haven't enough steel or enough copper, which man this and that, and so forth. In this place you can't sit - you financial fellows know - if I fail you know it in a split second. Now, therefore, if you don't mind, I don't--

Well, I--

Do you mind my saying to you, personally, I think your question is unwise. Is that unfair? Is it unfair?

Yes, because I had nothing in mind to endanger your financing today.

No, but if I answered your question--

Suppose we drop it until your financing is over.
No, I am not going to answer it and I will tell you why. I made a very, very careful statement about my financing, and I can't go any further than that. Let me read it to you, and I can't say - until I am ready to move I have got to keep my mouth shut. I mean, I can't be doing a lot of guessing that I am going to do this or that. Still off the record, as far as the rest of this year is concerned, I have nothing in mind. I am all right. I am confident I am all right. But even if I had something in mind I would not say it, and I hope that you fellows will not do any guessing about it, because just as soon as you start to guess about it - well, "high Treasury officials" or high this person and that person, and you undermine the whole thing; and if I fail, then the whole thing collapses.
Q Well, the New Republic, for example, this latest issue, had a discussion about the sale of five or ten billion dollar issue in October.

A You are quoting The Nation of last week.

Q Is there any truth to that?

A Is there any truth to that?

Q Yes. You have seen the article?

A I read The Nation. It was in The Nation, yes.

Q Well, the fellow - some of his criticism might be justified if I had not made my statement, but his article was badly timed. I mean, his article was about a month behind the times, but he is just doing some guessing there. For him to say we want to go out and get a five or six or seven billion dollar financing in October and try to do two months in one, that does not fix it - I mean, a fellow can make that guess, and you and I are most likely the only people interested in financing who read The Nation, anyway. (Laughter)
Q: I don't know about that, Mr. Secretary.
A: Who else reads The Nation here?
Q: Is there any truth--
A: See, just you and I. (Laughter)
Q: Is there any change, radical change, in financing policy?
A: I will tell you off the record I have none, but if I had I would not tell it to you. It so happens I have not any.
Q: But then why do you take all this criticism, Mr. Secretary, if you have a plan?
A: Why do I take it?
Q: Yes.
A: I don't mind it, as long as I can raise the money to wage the war and get it at the rates that I can get it and deliver the thing so that Mr. Roosevelt - there is one thing he does not have to worry about, I do not have to bother him sixty seconds a month on this thing.
Q  
But you are loading the banks with it, and 
that is the basis of criticism.

A  
The banks are not loaded, but as long as Mr. 
Roosevelt is not worried - I don't mean he 
is not worried, but I mean as long as I do 
not have to bother him, as long as I can raise 
the money--

Q  
This is off the record?

A  
Yes, this is off the record, and as long as 
I have given Congress a plan which I think is 
a good plan, see - the only thing that I would 
be worried about, Nick, was that if I had not 
made a suggestion - now I have made one, and 
I am willing to stand on it; and I think 
sooner or later I will get it. I would be 
worried if I didn't have a plan. Now, I gave 
them one, and we - everybody thinks it would 
do the job. But I can take all the editorial 
criticism, and all the people that want the 
sales tax and all the people who are perfectly
willing to let the tax fall on the lower fifth rather than pay the higher taxes themselves. I can take all of that because they are all about six months behind the times.

This is a vicious circle, Mr. Secretary, their criticism is on the question of inflation, it will eventually hurt your sale of voluntary bonds.

Now you are switching. I made a constructive suggestion, and it is a week old, and I still think it is good. There is nobody on the Hill who has said anything against it except that it is too complicated.

Are you speaking of the spending tax in this connection?

I am talking of the spending tax. There is not a single man on the floor of the Senate or House who has criticized me for my suggestion other than to say it is too complicated. When I sit down and try to explain it to them -
I haven't yet been able to get it through their heads. This is still off the record. Mr. Secretary, for purposes of clarification, I am wondering if this is a true statement of the situation on financing, that a great body of bankers and economists believe that borrowing from banks is by itself bad in that you do not admit that necessarily--

Let me answer this - incidentally, if you haven't got it we will be glad to furnish it - the best article that I think has been written and the most serious article, is in this current Yale Review by Jacob Viner. We will make it available to the press room. It is on this whole question of borrowing from the banks - is technical, extremely well written.

You said to the American Bankers Association that it was not necessarily dangerous to borrow from the banks.
Well, if you are going to get into a technical discussion, I think I can at least give you the advice - the result of the advice - if you want to break it down both you and I will be in trouble - but the result of all the advice is that if we had something like the spending tax and the people were taxed on that basis - this is the hard thing to understand, but they have convinced me - I am talking now about the technicians - that even though we did borrow from the banks it does not necessarily follow there would be inflation if the people did not spend it and did not compete amongst each other for the goods. Now, that is the thing that people like Viner and Walter Stewart and my own people have convinced me of, and I think that they are about - the Treasury staff, plus people like Viner and Stewart - as good advice as I can get in the country. That is the way
they feel. The very fact that you had a tax like this, first, it discourages spending, encourages lending the money to the Government; but even then if we had to borrow twenty-five or thirty billion dollars from the banks it would not necessarily follow that that borrowing was inflationary if the people did not take that money and compete with each other for the shortage of goods.

That is a big guess, Mr. Secretary, you must admit that.

I brought in the people that I think—certainly you cannot say that these fellows I am talking about are all New Dealers or Left Wingers, or anything else; but they are recognized in the field as the outstanding men in banking and finance, plus our own people, who are very able, plus people in other departments. And that is the conclusion
they feel. The very fact that you had a tax like this, first, it discourages spending, encourages lending the money to the Government; but even then if we had to borrow twenty-five or thirty billion dollars from the banks it would not necessarily follow that that borrowing was inflationary if the people did not take that money and compete with each other for the shortage of goods. That is a big guess, Mr. Secretary, you must admit that.

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that I have come to for the time being.
Now, to answer your question, and this is all off the record - but I want to let you know how I think, how I feel, who is talking to me, and so forth. I couldn't be any franker, could I? Have I left anything, in your mind--

Q

No.

A (Reading from statement before Finance Committee) "The new proposals are intended, therefore, to supplement the bond purchase program."

Do you want me to go on the record?

Q Yes.

A (Resumed discussion on the record.)

Q Mr. Secretary, in connection with forced savings of some type or shape, do you think that if we do not get it in this tax bill, in future tax bills we are in for it - I mean possibly no more than the type of forced
savings than was in the spending tax, but nevertheless some type--

A

I feel just the way I said here, that we have to supplement the voluntary bond purchase program.

Q

Which means forced savings?

A

Which means forced savings. I mean, that is calling it by its ugliest name - you might just as well.

Q

I am a realist.

A

It is all right, so am I. You might just as well call it that.

Q

Mr. Secretary, somebody has been writing that you may suggest to Congress the raising of the statuary limit soon. Have you any--

A

I have not thought of it. Was that in The Nation, too? (Laughter)

Q


A

I don't think - that makes you and me the only two highbrows, you know. (Laughter)
Q We are both New Yorkers. (Laughter)
A I see. I want you all to read that article in the Yale Review. It is a wonderful article.
Q But let me ask you this: Is Viner the spokesman for the Treasury?
A No. He wrote the article, and I never saw it until I saw it in print.
Q But he is one of the persons from whom you solicit advice on such matters?
A Yes, definitely.
Q Mr. Secretary, I get around the city and hear quite a bit of criticism of the length of time it takes for these people to get their bonds back, two or three weeks sometimes.
A The criticism is justified, and we are working on it. We sent out some four thousand telegrams last night to every
fiscal agency we had — I mean issuing agent, also to all the Feds, to see if we cannot get them to speed up. Now, you see, that is something that we do not have direct control of. I mean, it so happens that the Chrysler Corporation does a wonderful job, and, as I understand it, they get it out in about three days. Some other corporation, which I won't mention, takes thirty-five days. I can bring all the pressure to bear on that corporation to do as good a job as Chrysler, but I can't make them do it. Now, the telegrams went out — a perfectly courteous, frank telegram — what suggestions did they have to try to speed it up. We also have been not too good right here in the Treasury.

I understand the Treasury is about a couple of weeks behind.
Q: Could we have copies of that telegram, sir?
A: Yes. But the thing worried me very much, and I got the men in and I said they just had to do something. I think that five days is the outside limit.

Q: One curious thing has developed in the sale of bonds by the theater people, which is that - did you see that disclosure that some of these checks are bouncing, on the purchase of war bonds, and they have stopped them from delivering bonds until they clear the checks.
A: No. That is the theaters?
Q: Yes.

The Federal Reserve Bank in New York.

Q: Our home town not doing so well? (Laughter)
A: On the tax do you think there is any hope of getting more of what you want out of conference?
A: I think time is running in our favor.
Q: Well, it is and it isn't. It is running in your favor, perhaps, in the next tax bill in January.
A: No, we may still get something.
Q: You think there is a hope that you may?
A: I have not given up hope.
Q: Are we going to have another tax bill, Mr. Secretary?
A: Well, if we don't get something along the line that I have asked for I certainly will come right back and ask for it again with all the power that I have got.
Q: This year, still?
A: No - well, I don't want to say this year, but I will come back just as quickly as I get an invitation to appear before the Ways and Means.
Q: Put it this way, supposing you get what you
have asked for, the eight, seven and the spendings tax, than would you ask for more next year?

Well, I would be so happy I think I would,--

I can realize your pleasure, but what would be your fiscal necessity?

The pleasure would be for the country - no personal pleasure in that, I assure you.

But I mean from a fiscal standpoint is there any likelihood of asking for more next year?

Oh, things move too fast. I don't know, I would not want to--

In other words, there is no assurance that regardless of what they do you won't ask for more?

Mr. Secretary, I see Mr. Cooper was up here this morning to see you. Would you say anything--
No. We were talking about the bill and the prospects--

In conference?

Pardon?

The prospects in conference?

No, no, just talking. I did most of the talking, and he was a very courteous listener.

This bill sets a record for the time elapsed before it passed?

That I don't know.

March three, it is over six months now.

I take your word for it. O.K.?

Thank you, Mr. Secretary.
WHAT is it that people fear when they speak of the menace of inflation? Sometimes, no doubt, they have in mind something like the veritable explosion of the German price structure which occurred after the last war. More often, they mean a general rise in prices much more restrained in pace and final outcome. As popularly used, the greatest common denominator of meaning for "inflation," sans adjective, is that it signifies a substantial rise in the general price level—and that, like sin, it is bad. But a general price rise is sometimes a decided blessing, rather than an evil to be deplored, depending on circumstance and on the degree and the distribution of the increases in particular prices which constitute a "general" increase in prices. The temptation is strong to define inflation as an undesirable increase in prices—a question-begging procedure resorted to especially by those who regard inflation as often a very pleasurable sin but lack the courage of their want of convictions. To apply the term to all general increases in prices would in practice often be misleading, since to many readers it would inevitably carry implications of evil even if its user emphatically disclaimed any such intention.

I shall attempt in this article a middle course, and shall use inflation to mean an increase in the general price level proceeding for a period of substantial duration at a rate in excess of, say, 5 per cent per annum, under circumstances such as now prevail or are about to prevail of substantially full employment. As the occasion arises, I shall make free use of adjectives such as mild, moderate, pronounced, ex-
treme, explosive, arbitrarily selected to indicate inflations proceeding at rates, respectively, of about 5 to 10, over 10 to 15, 15 to 25, 25 to 50, and over 50 per cent per annum, with the intended implication, to be defended by argument, that even a mild inflation is an evil under the circumstances indicated, though a mild one, and that the evil grows progressively with the growth in the rate, as also in the duration, of the inflation.

A change in the general price level which affected all prices uniformly, in degree and direction, would be a matter of no real concern, whether for good or ill, provided the uniformity of change really extended to all kinds of prices: the prices of services as well as the prices of tangible goods; retail prices as well as wholesale prices; also the prices involved in bargains struck in the past but not yet fully consummated as well as those involved in current transactions. But even then some further qualifications are in order, two of which at least are of sufficient consequence in war time to deserve mention. First, a tax system with graduated rates automatically becomes more severe and more steeply progressive in its effective incidence when prices in general rise. Second, modern income taxes, especially in their “capital gains” provisions, tend to treat all excess of sale prices over original cost prices as representing real income and therefore properly to be included in taxable income. But when such excess is due solely to the adjustment of sales prices to a general rise in prices, its taxation is an arbitrary capital levy instead of the taxation of genuine income.

Price increases, however, are never in fact uniform, and it is here that their major potentiality for both good and evil lies. When prices have been falling, accompanied by mass unemployment and depression, a restoration, partial or complete, of prices to their previous level is, in the absence of special and adverse influences arising out of the devices used to bring about that restoration, likely to be bene-
ficial both in reviving employment and investment and in making some redress for the inequities of the unevenness in the previous fall in prices. So much for the good which can result from general increases in prices.

If, however, the increase in prices comes at a time when employment is substantially full, the effect of the rise in prices is almost unalloyed evil. An appreciable gain in employment is then by hypothesis impossible, and the friction and disturbances caused by the attempts of various economic interests to derive special advantage or escape special loss from the changes in prices may readily result in a decrease in employment. The lack of uniformity in the rise in prices serves to effect a fortuitous redistribution of the current national income and of the existing national store of wealth, and especially of the latter.

The pattern of income and wealth redistribution which has traditionally prevailed during periods of inflation has involved: windfall profits to employers, with corresponding losses of real income to labor, because of the usual lag of wage increases after price increases; windfall capital gains to capitalists whose liabilities were in fixed monetary terms (bond and mortgage principal and interest, open-account indebtedness) but whose assets were free to respond to the general price trend (real estate, inventories), with corresponding losses to capitalists, investors, endowments, and so on, the maximum monetary value of whose assets was fixed by contract, but whose costs of operation rose with the general rise in prices.

Some phases of this traditional pattern can no longer be counted on to recur. The customary lag of wages after prices has probably been reduced to minor proportions, or even reversed, by the combined effects of the growth of collective bargaining and the rise of governments sensitive to the claims of organized labor. The growth of progressive taxation of business profits, with its capital-levy effect during a period of rising prices, has also operated to reduce,
and perhaps to wipe out, the real gain derived by incorporated business from an inflationary rise in prices. In the circumstances now prevailing, at least in this country, the chief sufferers from inflation while it lasted would not be labor, as such, nor the chief beneficiaries employers or “capital” as such. Rather, the unequal distribution of gains and burdens would be most marked as between different categories of labor—organized labor versus the salaried class and unorganized labor in general—and as between different categories of owners of property—those with liabilities fixed in monetary terms, or debtors, versus those with claims fixed in monetary terms, or creditors. Those hardest hit would be the salaried class, professional classes with fees fixed by custom, endowed institutions holding bonds and mortgages, such as our universities and hospitals, pensionnaires, and (though it has come to be regarded as mawkish to mention them kindly in argument) the widows and orphans and other members of the rentier class, including all those who had put their savings for old age into government or corporate bonds, insurance policies, or savings deposits.

These groups together comprise a substantial and rapidly growing fraction of the total population. They are not obviously a wholly undeserving group. But they are, on the whole, under the newer conditions, a politically weak and vulnerable group. In this fact lies the great menace of inflation. Political power rests today with the great pressure groups—organized labor, the farm organizations, and (although temporarily in political eclipse) big business. If those who had most to fear directly from inflation happened to be strongly represented in any of these three groups, there could be assurance that government would be pressed hard to take the steps necessary to stop an inflation if it were slow in doing so on its own initiative. But effective prevention of inflation today requires tax and direct control measures which fall most heavily on the groups who are at
once the chief immediate beneficiaries of inflation and the major political forces in the community.

The arbitrary redistribution of income and wealth which results from inflation while it is underway is in war time, however, not the major item in the indictment to be brought against inflation. The expectation of continued rise in prices stimulates the hoarding of scarce commodities at the expense of both the military effort and the welfare of the non-hoarding civilians. The clamor and recriminations, the stresses and strains, resulting from the uneven incidence of the burdens and gains from inflation, the wild scramble to grasp the gains or to escape the losses, both impair the morale of the civilian population—and of the armed forces as well!—and divert to excess chaffering and merchandising the time and attention which in war time could well be diverted to more essential tasks.

War-time inflations, moreover, have in the past only too often led to disastrous aftermaths. There is a general belief, with much history to draw upon in its support, that war-time rises in price levels are inevitably followed by post-war falls in prices of corresponding severity. President Roosevelt apparently shares this belief with the rest of us, for in his recent message to Congress on inflation he remarked in this connection that "there is an old and true saying that that which goes up must always come down." Many economists would today deny the inevitability of this historical symmetry in price movements and would insist that government will have the means to prevent a post-war deflation, even after a war-time inflation, if only it has the courage and wits to use them. Be that as it may—although there is no obvious reason for expecting that a government which did not display the courage and wits necessary to prevent an inflation would acquire an adequate supply of these scarce commodities in time to prevent a subsequent deflation. No one, in any case, would dispute that the greater the war-time rise in prices, the stronger would be the general expectation of a subsequent decline, and the
greater therefore, and the less sure of success, would be the efforts required of government to counteract the deflationary effect of the actions to which such expectation would give rise. It will task sufficiently the resources of skill and determination of the government to prevent a major deflation and depression at some stage of the process of reconversion of the national economy to a peace-time basis even if the government succeeds in preventing a pronounced inflation from occurring during the war period. And no one who has observed soberly the course of recent history can be sanguine about the possibilities of our living through another great depression without major social disturbances.

The factors operating in the present situation which threaten serious inflation are much more clearly visible than is usually the case at such times. Mainly because of the growth of war expenditures by the federal government, largely financed by borrowing, the money incomes of the civilian population are increasing while the production of civilian goods on which these incomes can be spent is decreasing. This excess of civilian spending power must in one way or another be tapped by the Treasury or frozen into immobility by direct controls; otherwise the possibilities of inflation will be unlimited.

For the fiscal year ending June 30, 1942, the federal war expenditures will be about $28 billions, and the federal deficit about $20 billions. For the fiscal year 1943, assuming that present budgetary estimates of expenditures and Treasury tax programs are realized, the war expenditures will be $70 billions and the federal deficit over $45 billions, as compared to a national income ("income payments" basis) which in the calendar year 1941 amounted to about $90 billions, and which is at present accruing, on a higher price basis, at an annual rate of about $105 billions, and may perhaps reach, at present prices, as high as $115 billions in the fiscal year 1943. Despite the much smaller deficits of fiscal years 1941 and 1942, despite the still huge reservoir until late 1941 of idle facilities and labor, which
facilitated expansion of production of civilian goods to offset the expansion in the number of civilian dollars available for spending, despite the still relatively unimportant emergence of production bottlenecks and the still possible, if more costly, access to many raw materials of the Far East, Latin America, and Africa, the wholesale price level rose at a rate of approximately 10 per cent per annum from September, 1939, to May, 1942. Even more important, wages, as reflected in either average wage rates or average hourly earnings, rose at a higher rate than did wholesale prices. It is easier to stop an inflation without bringing about depression if the inflation is primarily a profit inflation than if it is primarily a wage one, for it is easier to check or even revise an upward price trend without stopping production if profit margins still remain substantial than if price stabilization or price reduction means business losses, while it is always difficult—and may now have become impossible—to obtain general wage reductions once increases have been granted or pledged.

The prospective increase of some $25 billions in the government deficit in the fiscal year 1943 over the fiscal year 1942 means that in 1943 the government will directly create income payments to individuals, in excess of withdrawal of income from the public through taxes, at an annual rate exceeding the 1942 rate by something of the same order of $25 billions. The increase in physical output to be expected in the fiscal year 1943 as compared to the fiscal year 1942 will not exceed the planned increase in tax payments. Other things equal, the civilians will have, in 1943 as compared to 1942, $25 billions of additional spending power to direct towards the purchase of commodities which the government must in some way manage to withhold from them if it is to carry out its military program. There are only two possible ways of meeting this problem of power left in the hands of the public to buy commodities which the government cannot let them have: inflation—which will reduce the physical quantity of goods that the
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civilian income can buy and pay for—or reduction, transfer to the government, or immobilization of the excess civilian income. Of these two ways, only the latter is acceptable. Let us consider what it involves for the civilian public, and how it might be accomplished.

It has already been pointed out that the increased production to be expected in the fiscal year 1943 will roughly correspond in amount to the increased taxes to be paid. This increased production will consist of military goods, and the added taxes can be regarded as the method by which the government will keep them out of civilian hands. It does not follow, however, that the $25 billions of additional goods which will have to be kept out of civilian hands will constitute a corresponding reduction in current civilian consumption. It can come in part out of inventories, which are at present of abnormal size, or out of real estate transferred from private possession to government possession. It can come in part out of funds which otherwise would be used to maintain or replace or expand plant and facilities for the production of civilian goods. It can come in part out of funds which otherwise would be used to purchase new durable consumers' goods, including housing, where the reduction in current consumption involved would, of course, be much less than the reduction in expenditures. Also, in so far as either military or civilian demands can be supplied through increased import from abroad or reduction in export to abroad, as compared to the fiscal year 1942 rate, the draft on current consumption made necessary by the war effort can be correspondingly reduced. Finally, the provision of the ordinary living requirements of the armed forces will be directly assumed by the government, thus reducing correspondingly the number of persons drawing on the supplies remaining for civilian use. These are individually, and still more, of course, in the aggregate, potentially very substantial items, and they should always be borne in mind when considering the current sacrifices which the civilian population must make in its accustomed—or
even 1941—standard of living if the military supply pro-
gram is to be achieved. The downward pressure on the
civilian standard of living will be heavy, but the contrac-
tion of civilian expenditures will take the form more of
non-expansion and non-replacement of facilities for the
production of civilian goods, of depletion of inventories,
and of deferment of housing construction and of purchases
of new automobiles, washing-machines, radios, and so on,
than of reduction of consumption of food, clothing, fuel,
shelter, and recreational services. The physical transfer of
the goods and services needed by the government from
civilian to government hands, it can be assured, will take
place. But what non-inflationary mechanisms of bringing
that transfer about are available?

The most obvious method is through increased taxation.
The estimated increase of $2.5 billions in the federal deficit
is, however, after inclusion of the anticipated receipts from
the full Treasury program of new taxes now before Con-
gress. It seems clear that the Treasury is not prepared to go
any further at this time in proposing added taxes, and that
Congress is unwilling to go as far as the Treasury proposes.
If the Treasury program is accepted, the new tax structure
will by all past American standards be a heavy one, and its
taxes on large-scale business and on very large incomes will
be of unprecedented severity. By its final consent to reduc-
tion of the income tax exemptions, the Treasury is propos-
ing at last to make the federal income tax penetrate some-
what into the lower half of the population in terms of
income. There is a strong case, in equity, for reasons of
morale, and in the interest of avoiding the assumption of
an administrative task too great or a task too rapidly taken
on to be handled without breakdown by the tax-collecting
machinery, against extending the full machinery of an in-
come tax, which in its pursuit of equity has become aston-
ishingly complex, to the collection of a few dollars each
from millions of individuals with a very low income.
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Nevertheless, it does not seem sensible to contemplate financing the whole war, which will eventually involve war expenditures substantially exceeding half the national income, without recourse to substantially more direct or indirect taxation of the lower-income half of the population than is now planned. I am inclined to agree that at this time it is not practicable to apply to them a stiffer dose than is involved in the proposed increases in tax rates, reductions in exemptions, rationing measures, and wage ceiling, and in the intensified war-savings-bond sales campaign now under way. It will soon be necessary to go farther, however. Most of the increase in the national income is going to this lower-income half of the population, and the increase in the incomes of the upper half will be more than withdrawn from them if the Treasury tax proposals are enacted.

There are three ways in which the incomes of the lower-income half of the population can be effectively reached by taxation: income taxes on payrolls, withheld at the source; a general sales tax; or a wide range of special excise taxes on mass-consumption articles. All of them have the advantage as anti-inflation measures of being "quick" taxes, that is, of withdrawing income from the hands of the public soon after it is earned. All have the disadvantage that to adjust them to ability to pay involves administrative difficulties, whereas not to attempt such adjustment would be onerous for the very poor. The sales tax has long been the ideal to the high-income class of how a government should be financed, whereas to the "liberal" humanitarians it is an inherently vicious tax because of its regressive nature and especially its supposed inadaptability to exemption provisions for the very poor. The regressive nature of a particular tax should not, however, be sufficient to condemn it for even the most ardent advocate of progression, provided the remainder of the tax system is steeply progressive, as our federal tax system now certainly is. It is not difficult, moreover, to think of administratively feasible ways of making
provision for exemption from the sales tax of persons with income not exceeding a stated maximum. One proposed method which is deserving of consideration would be to make available free to all persons, without means test, stamps acceptable in lieu of payment of sales tax on a specified amount of purchases, say $100 per adult person and $50 per child per annum. This would make it possible for any family of two adults and two children to spend free of tax $300 per year on taxable commodities, as well as additional sums on non-taxable items, before they made any sales-tax payments. In one or the other of these directions, steps will have to be taken before long if there is to be adequate assurance that pronounced and even extreme inflation will not occur. But it does not, I repeat, seem either urgent or practicable to attempt to take that step just now.

The extraordinary generosity with which, for no obvious reason that is not of a low political order, our worthy farmers are being treated in the fiscal field calls at least for brief mention. The substantial portion of their real income which is produced on the farm where it is consumed, including the annual value of owned housing, is not assessed for income tax. Many of the items entering into the standard of living of the farm family, such as the automobile and its gasoline, house tools and appliances, clothing, are indistinguishable from the facilities for or are used interchangeably for purposes of farm production, and if the farmer kept accounts could with partial justification be entered as farm costs instead of expenditures for personal consumption. Farmers, moreover, rarely keep detailed accounts, and there is a common belief that they are rarely if ever pressed by the tax authorities to report their income fully for income tax purposes. On top of this, they are assured preferential treatment for their products in price-control legislation. Also, at a time when on the average they are enjoying real incomes surpassing those received in any but the best two or three years of the past, and in a war year at that, they are receiving over a billion dollars a year
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in “agricultural relief,” distributed largely irrespective of need. This grossly preferential treatment of agriculture seems to me to be the most glaring and least excusable defect in our government’s anti-inflation program.

As far as fiscal devices proper are concerned, the attempt, therefore, is going to be made, for a time at least, to achieve the necessary additional transfer of spending power from the public to the government by recourse to what is hoped will prove to be non-inflationary borrowing. To those whose ideas about war finance have been mainly derived from the discussions of the finances of the last war, this is likely to seem equivalent to a gratuitous invitation to serious inflation. They fail, however, to notice, or to give adequate consideration to, some significant changes since the last war in the political configuration and in war-economy techniques which help both to explain and partially to justify the insistence today by all governments upon a larger reliance upon borrowing than would have been regarded as either desirable or safe by the financial writers of the inter-war period. These writers were substantially agreed: (1) that during a major war pronounced inflation could not be avoided unless much more than half the war expenditures were financed from taxation; (2) that war-time inflation would hit the low-income groups especially hard because of an inevitable lag of wage changes after price changes; (3) that severer taxation would mean more steeply progressive taxation; and (4) that recourse to borrowing would make it possible for governments (a) to avoid taxing the rich heavily during the war and (b) to liquidate the war debt in large part from the proceeds of post-war taxes on moderate and low incomes. There seemed to them, therefore, to be an overwhelming case for financing the war by taxes rather than by loans.

Under present-day conditions, every one of these four arguments for taxes in preference to loans is either inapplicable or is subject to important qualification. (1) The development of direct controls as preventatives of inflation
has greatly lessened the importance of the traditional fiscal device of taxation. (2) As has already been pointed out, the lag of wage changes after price changes can no longer be relied upon to make its traditional appearance, while the important low-income group of the farmers, especially if they are carrying heavy mortgage indebtedness, tend to look upon inflation as the best available substitute for the economic millennium, instead of as a calamity. (3) In the present war, tax structures are already so steeply progressive that great increases in tax revenues are now physically unattainable except by increased taxation of low incomes, thus making the tax system less instead of more progressive, or by resort to capital levies, overt or disguised. (4) Given the size of the war expenditures in the present war, and the extent to which taxation of the rich had already been carried before the war, financing a large part of the war costs by borrowing, instead of relieving the rich of a tax burden, is the only way in which their share in the payment of the war costs can be substantially increased. Taxing the rich to the quick now, borrowing the rest of the needed funds, and planning to repay the borrowings—or to carry the debt charges—after the war by continued heavy taxation of the rich, is the only possible way of avoiding the necessity of demanding a heavy tax contribution from the lower-income half of the population towards meeting the cost of the war.

Many of the current ideas about the relation of government borrowing to inflation are half-truths, though often belonging to that large category of socially useful half-truths. It is government expenditure and not government borrowing which is inflationary; and, given the expenditures, the borrowing is anti-inflationary unless it is borrowing from funds which if not lent to the government would remain idle, or is borrowing from banks of funds created to be lent to the government, when it is neutral. That it is not the borrowing which is inflationary can readily be grasped if it is considered what the effect would be if the govern-
ment borrowed large sums but instead of spending them locked them up in Treasury vaults or held them in idle bank balances. Nor does the prevalent belief that borrowing from current savings is peculiarly non-inflationary and borrowing from commercial banks is peculiarly inflationary wholly withstand close scrutiny. The only difference between a purchase of a government bond by an individual from current savings which otherwise he would have retained as a bank balance and the purchase of the same bond by a commercial bank with excess reserves is that in the first case the volume of bank deposits remains unchanged but their average velocity or rate of use increases while in the second case the volume of bank deposits increases while their average velocity remains unchanged—a difference without significance for the problem of inflation. Borrowing from a commercial bank without excess reserves is anti-inflationary, whereas borrowing savings out of current income which would otherwise have been hoarded is neutral.

The government in its loan policy should aim to make its borrowings be as much as possible of the anti-inflationary sort and as little as possible of the neutral sort. This means that it should borrow as far as possible from funds which otherwise would be spent for civilian purposes and as little as possible from funds which otherwise would remain idle or would not exist. Since it is impossible for the government—or the buyer of the bond—to know in advance in each particular instance what the buyer of the bond would have done with his money had he not bought the bond, the Treasury should direct its sales effort as far as possible to those categories of potential bond-buyers who are most likely to spend on consumption whatever funds they have or can command. This is, in effect, what the Treasury tries to do when it makes a special effort to sell its bonds to low-income groups. Sales of bonds to commercial banks without excess reserves—if they could be induced to buy—would have the same anti-inflationary effect, since they would force these banks to cut their loans to others.
The Treasury is intensifying its efforts to sell war-savings bonds, and especially Series E bonds, which are the bonds most attractive to the low-income groups. According to reports, it hopes to sell over $15 billions of war-savings bonds in the fiscal year 1943 as compared to what will probably amount to not much, if anything, over $6 billions of sales in the fiscal year 1942. But a large part of the subscriptions to these bonds—even to those of Series E—are from funds which would not otherwise have been spent. Even if this were not so, there would still remain the inflationary potentialities of at least $15 billions of spending power per annum not directly tapped by either taxation or war-savings bonds.

Impressed by what they thus regard as the inadequacy of the government program, as so far developed, to meet the menace of inflation, many influential persons are urging that a forced saving, or more properly a forced lending, measure be enacted, with deductions made from pay envelopes for subscriptions to the forced loan and with repayment to be made at some specified date after the end of the war.

It is argued in support of forced lending: (1) that it would encounter less public resistance than would outright taxation of the same amount; (2) that since it involves lending, instead of permanent alienation, the law imposing it can be made simpler, with less consideration of ability to contribute, than would be proper in a corresponding tax law; and (3) that the bonds, which should be made payable at some early post-war date, would provide a backlog of private spending power available at the critical period when the cessation of war expenditures would threaten to bring on a severe depression.

All of these seem to me persuasive arguments, provided the forced lending is not in lieu of taxation which it is practicable to levy or even of government borrowing from the low-income groups on a voluntary basis which it would displace. Taxes have the advantage that they make it pos-
sible for the government finances to emerge from the war in reasonably strong financial shape to cope with post-war fiscal problems. Voluntary lending has the great advantage that it is voluntary, and that the lender can, therefore, adapt to his special circumstances the amount of lending he should do, and for how long. It probably has, over both taxes withheld at the source and forced lending, the advantage that the wage-earner will be less likely to consider it as a deduction from his pay and so to press for its replacement through an increase in wage rates. All three devices, it seems to me, would equally provide spending power to meet any threat of a post-war depression. The tax method would put the spending power in the hands of the government—in the form of a smaller debt and smaller debt charges than would otherwise prevail—and would also leave with the government the determination of the time when the spending should occur. The voluntary lending method would leave with the lenders the determination, through the exercise of the redemption privilege, of the time of spending. The forced lending method would presumably involve a single maturity date, fixed in advance with respect to the ending of hostilities, or to be set by Presidential proclamation. Judging by past experience in connection with the soldiers’ bonus, there is little ground for confidence that once hostilities were over the government could resist pressure to repay even if it should come at a most inconvenient time whether from the point of view of the Treasury’s finances or from the more important point of view of the state of economic activity at the moment.

I believe that it will be necessary before the fiscal year 1943 is over to tap the great increase in spending power in the lower-income groups much more severely than either the present tax program plans to do or than the war-savings-bond campaign can hope to do on a voluntary lending basis. I do not quite share, however, that sense of urgency that much must be done at once which many others are displaying—including, I must confess, some who are more
entitled to a hearing on these matters than I can claim to be. While I am aware of the fact that there has already been considerable disguised inflation not revealed by the official index numbers and that this process may be and probably is still going on, the index numbers do not appear to me to have been behaving badly in recent months. It is very much to be regretted that the various proposals which were launched last year for introducing into our tax system flexible provisions for additional emergency taxes or for advance collection at the source of the regular income taxes, to be invoked and withdrawn as the threat of inflation waxed or waned, appear to be making no headway. For it would be nearly as bad—both for the war effort and from the point of view of obtaining public support later on for even harsher measures, if they should seem to be called for, than anyone now contemplates—if we moved too fast in our campaign against inflation as if we moved too slowly. And only a fiscal program more flexible than is permitted by routine tax legislation, enacted only after six months or more of discussion and enacted for a period extending to at least eighteen months ahead, could satisfactorily cope with this important timing consideration.

My failure fully to share the feeling that others are expressing of urgent need for more to be done immediately to check inflation is probably due to the greater confidence I have in the efficacy of the direct controls already in operation or in prospect as anti-inflationary measures. I do not refer to the recently announced over-all price ceiling, since I regard this more as a pronouncement of government determination that what needs to be done in the way of fiscal devices and specific direct controls to put a stop to further inflation will be done, than as a concrete measure to achieve that end. If the fiscal measures and the specific controls are not sufficient to stop inflation, then the ceiling will simply crack. The only direct contribution as an anti-inflationary measure that the price ceiling will make, as far as I can see, is that if it commands general belief in its durability and if
there is no widespread fear of absolute scarcities developing, the incentive to build up inventories and to hoard commodities will be removed. The apparently very complete success of the Canadian ceiling I should attribute largely to the freezing of wages, to the greater absorption, relative to the amount to be absorbed, of excess income by taxation and borrowing in Canada than here, and to the apparent absence of acute scarcities in Canada owing to the availability for her of relatively great and dependable external sources of supply.

My qualified confidence that pronounced inflation is not imminent here even if nothing more is done this calendar year in the fiscal field than the Treasury proposes is based largely on my belief that the growing physical impossibility of private investment in facilities for the production of civilian goods and the contraction in the available range of attractive outlets for spending for consumption will result in a much greater volume of voluntary disinvestment and of voluntary saving of new income than is commonly foreseen. The unavailability at any price of building materials, machinery, and other ingredients of plant expansion, replacement, and maintenance will operate to convert into idle cash balances the business profits and the maintenance and depreciation funds which otherwise would have been invested. The disappearance from the market of durable consumers' goods, the restrictions on consumers' credit, the scarcity or inconvenience of transportation facilities, the lack of leisure time and of energy for ambitious vacations because of continuous and over-time employment—all of these conditions will operate to remove the glamour from spending, and to make saving, increased investment in insurance, and repayment of debt, more tempting ways to use loose funds than they customarily are. This should facilitate the sale of war-savings bonds, but even if it doesn't, it is no great matter. The contribution which individuals can make to the fight against inflation is primarily through refraining from spending, from buying "things," for what-
ever purpose. Even if they hoard the extra cash which results it does not matter, if only they continue to hoard. If they deposit their extra cash in a bank, or pay outstanding debts with it, or pay for an insurance policy, that is all right, too. The bank, or the insurance company, can buy government bonds with the cash it so acquires, and the combination of saving by the individual and indirect subscription of his savings to a government bond issue is anti-inflationary.

This increase in private saving will be technically voluntary, but it will be "induced" by the circumstances of a managed war economy, with its absolute scarcities, its priorities and rationing, as well as, I hope, by appeals for increased saving as a mode of contribution to winning the war and to emerging from it with the resources and the morale necessary for post-war reconstruction. If it does not quite suffice to keep the over-all price ceiling intact, a little more ad hoc application of taxation, a little more ad hoc application of direct control, should remedy the deficiency. A genuine freezing of the wage structure, however, must be included in the direct controls. Merely to forbid wage increases as the result of collective bargaining disputes will not suffice. For when acute labor shortages develop, when employers find it difficult to keep complete and qualified working crews together, when most of their output is sold to the government on essentially a cost-plus basis, and when taxes take most of the profits, wage increases are more likely to result from offers by the employers than from demands by the employees, and if demands do come from the workers the employers are unlikely to resist them unless compelled to do so by the government. And it should be accepted without question that it would be toying with the materials for major tragedy to fail to enact very soon, as the minimum amount of insurance against pronounced inflation called for by prevailing circumstances, the full Treasury tax program or its equivalent.
H.M.JR: In checking up on getting the war bonds to the various people promptly, we thought we had better start with the Treasury first. I have just signed this memorandum from Bartelt, who is Departmental Chairman of War Savings Campaign, and it is self-explanatory. I have only one copy. I just signed it. We hope that we having set the pace as far as the Government goes, other departments will get in line. I think it is of more interest, maybe, to the papers in Washington.

Q Can we put it up on the board down there?

A I mean this goes for Treasury employees everywhere, and we hope that other Government agencies will do likewise. At least we will try to set the pace. That is the only thing I have to offer, voluntarily.
Q: Any comment on Senator Green's bill to freeze silver stocks?

A: No. I just saw it on the ticker. That is all I know about it.

Q: Mr. Secretary, on the matter of bonds, some of the banks were reporting to our paper that the sixty days have rolled around after the allotment program started and they are beginning to want to cash in on them. Have you heard any reports of unusual interest?

A: As far as I know - the figures which appear in the daily statement on redemptions are extremely low. I haven't seen anything.

MR. CALLAHAN: We have had reports and we have checked them and have not found any of them to be true.

H.M. JR.: I don't see any signs - I have felt it has been remarkably low. Take a look at the daily statement. You haven't heard anything?

MR. CALLAHAN: No. We have heard reports and we have checked, but we found that to be untrue. We found no evidence. I think we made ten or twelve
checks in specific cases.

H.M.Jr: What other good news have you got?
Q Have you read the anti-inflation bill that Senator Brown and Senator Wagner put in today?
A No.
Q It has provisions in it which would call upon the President to promulgate regulations governing wages and salaries, which would be used as a basis for any deductions on income tax and any other purpose.
A Have you read it?
Q Yes. I was wondering if you were working on any such regulations since it would cover the Treasury.
A Well, until I read it, the bill, I would not know. I haven’t read it.
Q And you are not working on any regulations in that respect?
A I could not say. I am not familiar with it at all, and nobody in the Treasury has--
Q I know you made reference to wage and salary
deductions last May before the Joint Committee
on Internal Revenue.

A I have seen the whole staff three or four
times today, and nobody has mentioned it to
me. So maybe Senator Brown overlooked us.
(Laughter) I am not offended, though.
(Laughter)

Q You would just as well stay out of it?

A I don't know. I don't know until I take a
look at it. I may want to get in with both
feet. (Laughter)

Q Can we get figures on that three billion
dollar financing?

A Bell tells me that he will not be ready until
either Tuesday night or Wednesday morning.

Q It will be ready?

A For allotment either Tuesday night - I think
he said Wednesday morning they would make
the allotments. Wednesday morning is what he
said.
Mr. Secretary, was the reaction to the interpretation on your statement on compulsory savings so strong as to failure of the voluntary plan that you were called upon to issue a statement Friday night? I saw that you issued a statement denying that you said the voluntary plan was a failure.

I think we will just let that rest.

I was just curious where you got your reaction.

I will not open up the subject. It is all right the way it is right now, if you don't mind. We will let it rest. It took me twenty-five minutes last time. I don't want to bore you again.

You never bore me, Mr. Morgenthau. (Laughter)

I might begin to bore you. (Laughter)

How does the Treasury feel, Mr. Secretary, about the tax bill as it now stands in the Finance Committee?
Wouldn't you love to know? (Laughter)

We would.

Well, do you have any comment on this Economic League in New York that suggested they raise another twenty-two billion in taxes?

Just a minute. The answer to you is I have no comment. I just did not want to leave you in the air.

The other one was much better. (Laughter)

And you would say, "If Nick had not interrupted me, Morgenthau would have answered my question." (Laughter)

Use them both.

No, I haven't - I have been busy conferring today. I have not read any of these bills.

What have you been working on? (Laughter)

I have been working.

New tax plan, Mr. Secretary?
Q  Not next year's tax bill? (Laughter)
A  Anyway, that report, I have not been able to get a copy of it. We have to read the newspapers and we read about these bills, and then we scurry around and say, "Pretty please, won't you give us a copy of all this stuff?"

Q  Well, the anti-inflation bill is running on the ticker today in full text so you will not have any trouble getting that.
A  I know. I have been very busy today. I haven't had a chance.

Q  Would you tell us what you were busy about?
A  No, I can't tell you that.

Q  Is the Treasury--
A  It is Treasury business.
Q  Is the Treasury proposing a substitute to the so-called Victory Tax approved by the Senate Finance Committee?
A  I can't help you out, and I don't want to leave you in the air to think that we are or we are not. I just can't help you out.

What are you doing down this end of the Avenue, anyway? (Laughter)

Q  I came down here to ask that question. I thought you would be the man to ask about what the Treasury was going to do.

A  What is the matter with these pipelines you have up there? (Laughter)

Q  They are all right. (Laughter)

A  I can't help you out today. I am sorry.

Q  Thank you, Mr. Secretary.
H. M. JR: At your service.

Q Mr. Secretary, before they get on taxes - I notice that they may - my office wanted me to ask you if there is anything in the rumors of some plans for issuance of fractional currency and paper currency, for example, due to the pressure on coins, small coins.

A It has not gotten here yet, no.

Q In other words, you have not given any consideration to that?

A No. They are studying various kinds of plastics and glass, and that kind of thing, for pennies and nickels.

Q You are?

A I mean - but I had not heard--

Q No expansion of the paper type?

A No. They are studying, as I say, certain
kinds of plastics, but I have not heard of
the other.

What else?

Q

Mr. Secretary, what silver which the Treasury
has is it that is contemplated for sale, as I
understand it, to industry, under Senator
Green's bill?

A

There were some five million ounces which
we took into the Treasury under circumstances
that I cannot give you the details on, but
they can be made available to you very
promptly. Bernie Bernstein can tell you.
They were bought under such circumstances
that we can dispose of them. As to the
details on that, they can be furnished to
you. We can get up a little memorandum for
you.

Q

This would permit the sale and not the
lend-leasing of silver, as now is going on?

A

Yes, we can sell that. We have felt right
along that inasmuch as there are only five million ounces, which are not tied up in bowknots, we ought to keep that for some kind of an emergency. I mean that some industry or somebody might need it quickly for some war purposes. Here it is, and if they need fifty to a hundred thousand ounces quickly for a certain kind of an instrument, or something or other, we could let them have it. But the exact circumstances and why we can sell that we will furnish you in a little memorandum very quickly and send it down to the press room.

Q

Fine.

A

Is somebody going to ask me about the tax bill? We are all primed for it. (Laughter)

Q

Did you offer a suggestion - alternative - to the committee?

A

Ask me what I think of the tax bill. (Laughter)
What do you think of the tax bill, Mr. Secretary?

We did not get very good team work, did we?

(Laughter) What I wanted to say about the tax bill is that as it has gone to the drafting committee - gone to be drafted - we here in the Treasury feel, from two standpoints, that it is wholly inadequate; first, from the standpoint of the amount of yield, and, second, that it does not contain any special provisions for restriction on expenditures. I am also very disappointed that the bill fails to correct some important loopholes.

As, for example?

Well, depletion for one, and tax-exempt securities.

That is past issues.

Didn’t they throw that out later?

They kept in future issues.
H.M. JR: But the past, and--

MR. PAUL: And the joint returns.

H.M. JR: And joint returns.

Q What are you going to do about it, Mr. Secretary?

A Well, we are going to keep recommending it at every opportunity that we are given, and we will continue to explain it to the public.

Q You mean the spending tax proposal?

A No, the necessity to do something.

Q Is there no way that this can be brought out in the conference between the two houses since the spending tax is not in either bill? Is that true, if it does not come out--

MR. PAUL: No, there is no spending tax in either bill so it would not be a proper subject for conference unless it were put on the floor of the Senate.

Q In other words, you consider this bill is not sufficient brake on inflation?

H.M. JR: Oh, yes, and the recommendations we have
made, we felt that this should have carried at least the minimum of thirty billion dollars of revenue, total; and if it becomes a law the way it is written now the total revenue will only be in the neighborhood of twenty-four billion.

**MR. PAUL:** That is in the full year of operation, too.

**Q** So that actually the bill, if passed now, would not produce even twenty-four billion.

**MR. PAUL:** In the first year it will not be twenty-four.

No, you will not get the six billion eight fifty on a collection basis in '43.

**Q** How much does the bill itself carry now?

**MR. PAUL:** Six billion eight fifty. We gave out a statement yesterday.

**Q** I was up at the Capitol. That is why I didn't get the allotments.

**MR. PAUL:** We gave there a comparison of the House bill and the Senate bill, plus and minus, and existing law.
H.M. JR: They rushed me so on those allotments. Dan Bell said I had to drop everything, which I did, to make them at ten minutes past nine so they could get on the ticker service. They were about an hour late, I think.

Q

A

Yes, a good hour. (Laughter)

Q

Of course the sinking of the Yorktown did not help it any.

A

Well, I was, frankly, thinking more of the subscribers to Dow-Jones Service, you see. (Laughter)

Q

Building up our service? (Laughter)

A

Yes. If they had it around nine-thirty, they could have found a couple of lines. This is just something between Dow-Jones and the rest of us here. I didn't bring it up today. I did yesterday. But I mean, I am the fellow who is doing the worrying about your subscribers. (Laughter)

Q

I suppose we will, too, before the week is out.
That is about all, gentlemen.

Do you think there will be need for a new tax bill on top of this one?

We here feel - I mean there has just got to be more revenue, and we feel very, very emphatically that there will have to be enacted into law some kind of legislation which will be a deterrent on spending and an incentive to save.

Any repercussions on your new tax series notes?

They have been very well received. The financial community likes them very much. They are certainly going to town on them, on distributing literature on them. A big job is being done. The Victory Fund Committee is working very hard on it.

Thank you, Mr. Secretary.
SECURITY MORGENTHAU'S PRESS CONFERENCE

September 28, 1942

H. M. Jr.: Number one, we are starting to work on our October financing, which will be early in October.

Q Will be announced early in October?
A Yes, to take place - it will take place early in October. I would say the second week.

Q Roughly, about the size of your last one?
A It will be approximately four billion. What I call the Open Market Committee - you technicians can name it - what is it, you American bankers?

Q Executive Committee Council of the Open Market Committee.
Q Of the Federal Reserve Board.
A Do it once more.
Q Executive Committee of the Open Market Committee of the Board of Governors of
the Federal Reserve System. (Laughter)

A If you didn't get it, you can see him later.

(Laughter) Anyway, they are coming around tomorrow at eleven o'clock to consult with me.

Q Tomorrow?

A Tomorrow. Anything more on that?

Q Will it be a dual issue or just a straight long-term--

A We have not gotten that far. We just know we need four billion dollars.

I have a statement here which I will read to you. I am sorry I have only one copy. You can see I corrected it up to the last minute. I will give it to you. If you don't mind, I would like it back. Who is president of the Treasury association?

Q Everybody. (Laughter)

Q As a matter of war-time conservation, we have dispensed with formalities. (Laughter)
That is why I have also dispensed with having copies. (Laughter)

I wish you would tell that to some of the other agencies.

Anyway, this is it. I will read it slowly.

"Passage of the Vandenberg amendment would jeopardize the program for financing Old Age and Survivors' Insurance. Sound financing requires that Social Security contributions be collected at the scheduled levels, especially during a period of very high incomes and employment such as this.

Passage of the Vandenberg amendment would also require substantial adjustment in the Government's plans for war financing. It would, in effect, reduce the flow of anti-inflationary funds into the Treasury by over $1 1/2 billion.

Everything that we have urged and planned in the fight against the rising cost of living has been predicated upon the assumption that Social Security contributions would rise on January 1, 1943 to the new schedules adding 1½ to the contributions of employees and 1½ to those of employers."
The Administration's record on Social Security has been clear and consistent. Last January the President submitted a budget based on the assumption that the scheduled rate increases in Social Security contributions would go into effect on January 1, 1943, and that in addition, $2 billion in new contributions would be raised for an expanded Social Security program.

When I appeared before the House Ways and Means Committee on March 3rd, I recommended an expansion of the Social Security program as outlined in the President's budget message of last January, and I repeated this recommendation in my letter to the Committee on May 6th.

I strongly hope that the Senate Finance Committee will reverse its tentative approval of the Vandenberg amendment, because the passage of that amendment would make our task harder than ever."
Q: Mr. Secretary, how much did you say it would cost in there, in the first paragraph?
A: A billion and a half.
Q: The rates are hiked to three percent automatically, isn't that it, on January 1?
MR. BLOUGH: They go up from one each to two each.
MR. PAUL: It is a one hike.
MR. BLOUGH: It is a hike of one on employers and one on employees, making two on each.
Q: That is four percent.
MR. PAUL: A total of two on each.
R.M.JR: You had it right in the first place.
Q: You had indicated, though, that you wanted it raised to five percent, hadn't you?
A: That is right, isn't it?
MR. BLOUGH: I am not sure that you laid that out.
Q: I think it was two billion dollars in additional revenue, wasn't it?
MR. PAUL: It was two billion dollars in the President's message.
Mr. Secretary, I wonder if that might be copied while we are finishing here, and we can get it in the press room?

Yes, it is done.

Now, it is unusual today, I have three things to offer.

May I ask you on this social security—

Sure, I have the people here. Go ahead.

Will you ask the Senate Finance Committee, make another appeal in an appearance before them, in addition to this statement, or would you feel this is sufficient?

Well, I think they heard from the President once in his budget message; the second time from me before the Ways and Means; the third time before the Senate Finance.

That was before the Ways and Means on May 6.

And now through the press. I think that is enough - I hope.

Have you talked to the chairman of the
No, but we have been in consultation with Mr. McNutt and Mr. Altmeyer. I think Mr. McNutt will have a similar statement.

Tonight?

I understand so.

He may not have a statement tonight, but he is--

But we can say he is coming out in support of your statement?

You can say that before giving a statement out I was in consultation with Mr. Altmeyer and Mr. McNutt.

And they approved this statement?

And they approved this statement. Is that right?

Mr. McNutt endorses the statement.

How about Altmeyer?

We were not in touch with Mr. Altmeyer.
H.M. Jr.: Let's get this straight. McNutt knew about the statement, saw the statement?

Mr. Paul: It was read to him. He "endorsed it", to use his exact words.

H.M. Jr.: He endorsed it. We are moving a little bit fast so I had everybody here who had anything to do with it.

Q: Apparently this social security is a pet thing of Senator Vandenberg's. He is perennially attacking it. What is the reason? Hasn't he ever explained it to you?

A: No, but we have explained it to him a number of times - a number of times.

Q: Do you feel that the increase in rates, Mr. Secretary, is necessary for the fund itself or for war financing?

A: No, on the whole fiscal front, the fight against inflation - the whole front.

Q: But for the fund itself, would such a raise be necessary, in your judgment?
Mr. PAUL:  Of course this statement refers to the fact that we ought to be collecting in periods of high income. When you read the statement you will see the answer to that question.

Q:  Actually your financing only amounts to about two percent, I understand - fifty billion is less than that, this intake on Social Security, on an annual basis?

Mr. BLOUGH:  I don't know. What is the point?

Q:  I mean from a financing statement the sum is very small, only two percent.

Mr. BLOUGH:  You mean paying out?

Q:  The actual amount that you collect under the new rates is only a small percentage of the total amount of intake of new money, plus other sources?

Q:  The figure is in the statement, a billion and a half dollars.

Mr. BLOUGH:  I don't quite get your point.
H.M.JR: Do you want to talk to him later?

Q No.

Q All he is saying, Mr. Secretary, is that in your statement you said this only amounts to a billion and a half.

A What do you mean, "only" a billion and a half? (Laughter)

Q You are dealing in somewhat bigger figures these days.

A You have been attached to the Treasury too long. (Laughter)

Q That is what you mean, a billion and a half.

Q That is just a small portion of it.

A All right?

Q Yes.

A The next thing is this. At three-fifteen today I received a letter from the Petroleum Coordinator for War, Mr. Harold L. Ickes, and at three thirty-three Mr. Clifford Mack,
Director of Procurement, signed a letter of intent to start the design and purchase of a refinery, gasoline, for the Russian Government. Is that correct?

MR. MACK:  Yes, sir.

Q  To be shipped to Russia?

Q  Letter of intent to do what?

MR. MACK:  A letter of intent authorizing the going ahead with the job, that is, designating the engineer-architect, to start forthwith with the plans, in collaboration with us, for the equipment in order to do this job.

Q  To do what job, Mr. Mack?

MR. MACK:  That is, to provide the equipment and machinery that is required for the oil refinery that is to be shipped to Russia.

Q  You are going to send the equipment or the oil?

MR. MACK:  The equipment. This is a plant that is being sent over there in order that they may refine high octane gas.
It is a knock-down thing that you will send?

MR. MACK: It will be sent over there, and be set up and operated over there.

Q Are you dismantling one that is in operation or providing a new one?

MR. MACK: A small part of the job has to do with the possible use of two existing plants located in Texas, which are now under appraisal and inspection. We expect that that work will be completed very shortly, and as soon as we look over that report we will then decide what should be done about entering into negotiations to buy those plants and break them down and ship them over to Russia as a part of the entire job.

Q What would be the capacity of the refinery - of the refinery in Russia?

A I think it would be difficult to give you those figures right now without the information because it depends to what extent it will be used for octane gas and what extent used for oil.
Q

Most of the equipment will be new equipment, Mr. Mack?

MR. MACK: The greater part of the equipment will be new.

Q

And the product of the two small existing plants, plus the new equipment, will all go into a single large plant over there, is that correct?

H.M.JR: Let me interrupt. This is a job we are doing for the Russian Government, and I don't think we ought to describe the plant.

Q

Oh, no, but just--

A

Well, I think that is up to them.

Q

This is not under Lend-Lease now?

A

Yes, it is Lend-Lease, but the point is - some of you may have read some stories - I don't know whether you read the newspapers or not - but the point is we only got the green light at three-fifteen and we immediately went into action on it.

Q

You knew about it ahead of time?

Q

You were tipped off that that green light was coming? Eighteen minutes is a record.
What?

You may have been tipped off that the green light was coming.

No, we weren't. We have just been sitting waiting.

You knew nothing about the deal before three-fifteen?

Oh, yes - oh, yes.

This is about the second plant that has been shipped to Russia, isn't it? There was another one taken from Houston less than a year ago.

I don't know. Do we know anything about that?

It may have been a prior transaction, that is, before Lend-Lease. It is nothing that we handled.

We were not in on it?

No.

Can you indicate, Mr. Secretary, how much is involved financially - three million, five, ten, or what?
H.M.Jr. I don't think we should.

Q Mr. Secretary, is the purpose of this--

A We are simply acting as purchasing agent

Q for Lend-Lease. That is our capacity. We

A are acting as a purchasing agent for Lend-

Q Lease.

A I am wondering if the purpose of this whole

Q move to send the plant to Russia is to enable us

A to ship the crude oil rather than the more
dangerous cargo of gasoline, to augment

Q Russia's need, I take it, for high octane

A gasoline for their air force?

Q I cannot answer that. We are a purchasing

A agent for Lend-Lease. We buy all non-military

Q articles under Lend-Lease, and we were asked to
do this. We could not go ahead until we got

Q word from the Petroleum Coordinator, which we

A only got today.

Q Just to get this straight, the Lend-Lease

A approach, it had to be cleared with Ickes

Q before you could do anything?
We wanted their approval as to--

As to the technical suitability of the equipment and the processes to do the job that the Russians needed done. The OPC organization was collaborating with the Russians on that, and it was subject to the final determination of that approval before we could go ahead with the purchase.

Could we have copies of the letter?

It is Mr. Ickes' letter. You will have to get it from him.

Why do you disclose all the details?

I did not disclose all the details. I just wanted to let you know, in view of certain publicity in regard to it, that we are on our way. We are on our way, that is all.

The word that we received from the OPC today was an expression of accord with the selection made by the Russians.

Have you got a fourth good story for us?
MR. PAUL: Why don't you make your point about the tax bill?

Q I said on the side just now that this was an eighteen-minute decision, and if we could get some speed like that behind the tax bill we could go places. He suggested I make the point to you.

H.M. Jr: If you will make that point to the Committee I will provide the transportation. (Laughter)

Q Do you agree with this, that the tax bill might be passed by election date?

A It could be?

Q Well, there are reports up at Congress it can be passed.

Q You think it ought to be, don't you, Mr. Secretary?

A Sure, it ought to be; the sooner the better.

Q Mr. Secretary, how are you coming along with your compulsory savings program? Is that getting into shape? Can you tell us anything about it now?
A  No.
Q  The "no" is to which question?
A  Both questions.
Q  That it is not getting into shape?
A  All right, gentlemen?
Q  Thank you, Mr. Secretary.
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